

Togo:

- A Proutist approach for solving the problems of lowered living standards, unemployment, and rural poverty

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for the Government of Togo

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Summary And Recommendations

1. Summary

1.1. The Economic Situation in West Africa and Togo

After independence, West African countries generally had a period of economic growth with a dramatic increase in school attendance, health facilities, industry, and so on. The expansion did not take place in the same pace in all countries. For example, in Ghana, most growth took place in the 1960s, under Kwame Nkrumah, while in Nigeria, real development took place in the 1970-s after the oil boom.

By 1979 most countries started to realize economic difficulties, and by the early 1980s, there was a clear down-turn in the economies of most African nations, made worse by several years of drought. The problem was compounded by the fact that most African countries borrowed heavily during the late 1970s. Togo's external debt rose from around 40 billion F CFA in 1977, to 240 billion F CFA in 1980, which constituted more than 90% of GDP. By 1982, Togo's debt servicing had reached over 50% of total ex port earnings.

Structural Adjustment Programmes

The combination of the down-turn in business activity and the huge external debts found most West African countries in a financial crisis. Export earnings were declining, and governments found it impossible to keep up the payments of their external obligations. As a result, many West African countries including Togo, were forced to approach the IMF for help.

In the standard IMF package, emergency credits are given at favourable terms, as a part of an overall programme called SAP or Structural Adjustment Programme that aims to reduce domestic demand and redirect resources towards the repayment of the national debt, while, in the words of the World Bank, "restructuring the economy to reach a higher growth path." (World Bank 1990:103) This SAP includes a series of measures, such as the removal of food subsidies, liberalization of trade, enforcing a balanced budget, freeze on wage increases, etc.

Though these measures are effective in reducing domestic demand, they have the undesirable side-effects of reducing the living standards of the poorest sections of the population. Consequently, throughout the 1980s, we saw a general decline in the living standards of people throughout West Africa. Middle income countries, such as Cote d' Ivoire and Nigeria, saw the steepest decline. In Nigeria, the GNP per capita fell from US\$1,120 in 1982, to an estimated US\$250 in 1990. The GDP per capita in Togo at constant prices has been fairly stagnant, but this does not provide an accurate measurement of the decline in living standard of the population. In fact, the purchasing capacity of the minimum wage in Togo has been falling constantly since the 1970s, and the number of unemployed has increased sharply.

Unemployment

One reason for the sharp rise of unemployment in Togo, a rise that has been especially noticeable among academics and skilled personnel, is the Togolese Government's ban on new employment. This ban was introduced as part of the measures to implement the SAP, to cut costs, and balance the budget. As the Government employs almost half of all workers in the modern sector, the ban had a drastic impact on new employment in Togo. The Ghanaian government went much further. Not only did it introduce a ban on new employment, but it started a massive programme of retrenchment which left tens of thousands of workers jobless.

Rural Exodus

The modern sector in Togo employs only 17% of the active population. Over 70% of the active population is engaged in agriculture, but many of those leave the country-side every year in search for jobs in the cities. This is creating still more pressure on the job markets, and contributes to a large degree to the rising unemployment.

What is the cause of this exodus? Generally, it can be attributed to a deterioration of the standards of living in the rural areas, as erosion and over-farming are reducing crop yields.

Africa has one of the world's harshest climates, and its soil is very sensitive to erosion. This soil has a low content of clay and organic matter, and it is generally also poor in nutrients, such as phosphates. Rainfall patterns are unfavourable to agri-

culture with intermittent dry seasons and seasons of torrential rains. These hard rains do not penetrate the soil very well on cleared land, but washes away the top soil and leaches out nutrients. For these reasons, in traditional African agriculture, land was cultivated for only a few years, and then allowed to lie fallow. These periods of fallow allowed the vegetation to cover the plot again, stop further erosion, and replace the nutrients in the soil.

However, due to a rapid population growth (in Togo estimated to 2.7% per year) there is increasing pressure on the land. Farmers use the land for longer periods without letting it lie fallow. This reduces yield and increases soil erosion. The poorer yields cause a deterioration in food production and income, which further decreased the standard of living. As a result, many of the young and able-bodied leave for the towns where they stand a small chance of getting a job, rather than to stay in the village on land that cannot support them, and with no other chances of employment.

With the young and fit leaving for the towns, the proportion of the active population left in the villages is reduced, while the proportion of old people grows. This, in turn, increases the burden on the active population still remaining, as now each active person will have more inactive people to support. The living standards are, thus, further reduced, and yet more people migrate to the cities.

The people who leave for the big cities generally cannot find employment in the formal sector, and usually end up street vending or engaged in some other part of the informal sector, which in Togo employs 20% of the active population. Yet a big proportion remain without any employment at all.

Apart from soil erosion and the rural exodus, another important problem that lies at the root of the other ones is the low producer prices paid for farm products. While the prices of cash crops have risen in Togo during the 1980s, the prices of food crops, which in 1989 made up 93% of the agricultural production, has been steadily declining at constant prices. As farmers are not being paid the proper value of their crops, they are being discouraged from experimenting with expensive fertilizers, or to spend time and money to conserve the soil. With under-priced produce, only the cheapest no-input methods of farming are attractive.

Industry

Turning to the industrial sector, we find certain clear trends common to industrialization in most African countries. In line with the tradition of industrialization in most parts of the world, African governments have favoured capital intensive industries situated in major growth poles. These growth poles are supposed to act as centres of economic growth from which prosperity would spread out and benefit the surrounding areas. Generally, this has not happened, as the growth poles have rather created an urban bias which has drained resources from the countryside and favoured the cities.

Another trend in the industrialization policies in Africa has been a move towards import substitution. The main aim of this policy is to save foreign exchange by producing locally what would have otherwise had to be imported. The snag is that all the machines and most of the raw materials and intermediate goods required for the manufacturing process were still imported, and the final products usually end up much more expensive than the goods they were supposed to substitute. In West Africa, they have often resulted in a net loss of foreign exchange as well.

In spite of strong evidence that labour-intensive techniques in most cases are both more profitable in Third World countries, and provide more employment opportunities, capital-intensive technology has constantly been preferred to labour-intensive ones. Some of the industries established by the Togolese Government were extremely capital intensive, such as STH which had an investment of 64 million F CFA (US\$213,000) per employee. Due to this emphasis on capital intensive techniques, most industries have not appreciatively contributed to the reduction of unemployment even in the cities.

Investment into industrialization and infrastructure has usually taken up a large proportion of available resources. In Togo's five year plan from 1976-1980, industry and commerce took up 41.5% of available investments, while transport and communication consumed another 44.5%. social service got only 3.8%, and rural development got 7.2%. In spite of these heavy investments, industry's contribution to the GDP in Togo has been fairly stagnant, at around 18%, after a short rise in the end of the 1970s. Agriculture, which received much less investment, has had its share of GDP regularly increased throughout the 1980s, and it stood in 1989 at 34% of GDP.

Another problem with the industrialization process in Africa is that many of the industrial projects were initiated from abroad by companies mainly interested in selling their machines and technology. Often the feasibility studies provided by

such companies were flawed, and African governments have ended up paying huge sums of money, often financed by external loans, for industrial projects that were never viable even at their inception.

Many projects were initiated in the later 1970s, after a boom in commodity prices for Africa's main exports. When the prices suddenly fell again, African governments, believing that the prices would soon pick up, borrowed heavily on external markets to complete the projects that had been started. When the prices just continued to fall, most countries too late realized that they were no longer able to keep up the payments on their debts, and so IMF had to step in and austerity programmes adopted.

In the case of Togo, the process was particularly painful. Following the increase in phosphate prices in the mid-1970s, Togo embarked on an ambitious programme of industrialization. Most of the projects were initiated from outside, and were not part of the original five-year plan. They were capital-intensive, and often dependent on imported raw materials. Many were not viable even at their inception, and after heavy losses, quite a few, such as STH (oil refinery), Salinto (Salt), and AGETU closed down, and others, like SOTEXMA (agricultural materials) and SNS (steel) were privatized.

Imports and Exports

The main imports of African countries are manufactured goods, machinery (including vehicles) and food, in that order. The main exports are raw materials. The root of this system lies in the colonial past, when the African colonies were set up for the purpose of providing cheap raw materials for the industries in Europe, and markets for Europe's surplus goods. After decades of independence, Africa has not yet been able to shake off this legacy, and the trade patterns remain the same. Intra-African trade only make up roughly 7% of all African trade.

This system of importing manufactured goods and exporting cheap raw materials is a sure foundation for the long-term ruin of any country.

Related to this is the fact that African industry, instead of concentrating on the processing of locally available raw materials, based itself on imported materials. In the wake of the economic crisis in the 1980s, most industries had, therefore, severe difficulties in acquiring the foreign exchange to import the raw materials and intermediate goods they needed to to keep up production. As a result, they were forced to either close down or to run on a fraction of their capacity. In Ghana in 1982, it was estimated that most industries were running on an average of only 20% of installed capacity.

Even more ironic is that some African countries import processed versions of their own exports. Togo's main exports are phosphates, cotton, coffee, and cocoa, in that order. Yet, in spite of Togo exporting cotton, it imports yarn for its textile industry!

Education, Health and Women

The structural adjustment programmes introduced in most West African countries have lowered the standards of living of the average citizen. At the same time, the levels of school attendance have dropped, and the instances of infant malnutrition have increased. In Togo, school attendance is lowest in the north of the country, with only 29% of children of school-going age attending primary school in Savane Region, while the figure for the Maritime Region is 79%. Boys are also more favoured than girls. While 70.4% of all boys enter school, only 53.5% of girls do.

Only 16.5% of students entering primary school make it to secondary school, and less than 2% of these children enter university. The university education is expensive for both families and the state. Yet, the skills of those who graduate from the universities are often not utilized, as the majority of them are unable to find jobs.

Only 7% of the Togolese population is employed in the modern sector. Out of those, half, or 3.5%, get jobs which do not require even a rudimentary education, such as simple jobs in factories. What it all boils down to is that 2/3 of the population is getting an education to prepare themselves for jobs that will only be available for a lucky 3.5%. To properly utilize the human resources of the country, and the money spent on education, an education system more suitable for the needs of the labour market and the requirements of the country must be developed.

With regards to health, instances of infant malnutrition are more common in the north than in the south. While only 1.8% of children under 3 months suffer from acute malnutrition in the Maritime Region, in the Savane Region as many as 23.7% of the children are affected. Malnutrition is also more common in cases where the mother is illiterate than when she is educated. The better her education, the lower are the chances that her child will be malnourished.

In the health services, most of the resources goes to fund a few well-equipped hospitals, giving specialized treatment to a limited number of people. Little is left for the primary health care programme which is the system of health care which reaches out to most people. 80% of the population received only 10% of the medicine in the country. 65% of pregnant women do not have access to prenatal care, and 80% of deliveries are still taking place at home.

As in most parts of Africa, women in Togo do most of the agricultural work, they are responsible for 100% of the fuel wood and water collection, and the rearing of children. Yet they own only 4.5% of the farm land, have little or now access to credit, and are disadvantaged in private and public employment.

Political Uncertainty

The West African scene since independence has been full of political uncertainty, with unstable governments, tribal politics, and military coups. Chad has been torn by civil war for more than 20 years, and recently Liberia has almost disintegrated due to inner strife. Political stability is a prerequisite for peace and economic growth, and has to be pursued at all costs.

As long as common people are deprived of the possibility to participate in the decision making processes of a country, there is always a tension present that can lead to potential political instability. It is commonly believed that the introduction of a multi-party system would ensure people's participation, and reduce the political tension.

However, recent experiences of multi-party democracy in Africa shows that there are certain problems that still remain even after its introduction, such as the abuse of power, vote rigging, corruption, and a lack of popular participation in the decision making process. The element of tribalism have also often played a decisive role in African politics.

One can look at the examples of Nigeria under the Shagari administration, Ghana under its several civilian regimes, and several francophone countries after independence.

Therefore, to ensure a real participatory democracy, which allows the participation of all sections of the population, it is advisable that the planning process is decentralization. This will give people in rural areas a concrete say in the development of their own localities, and ensure a broad based participation of all people in decision making. Certain other reforms of the traditional multi-party system may also be necessary to ensure political stability and real participatory democracy.

Future Prospects

As we can see, there are many serious problems facing Africa today, ranging from huge debt burdens, low prices on traditional exports and deteriorating terms of trade, to lowered living standards, unemployment, lowered school attendance, and deteriorating health facilities. At the same time, the traditional agricultural system is being overworked, causing soil erosion and desertification, while the industrial sector is highly capital intensive and dependent on both machines and raw materials from outside. Finally, Africa is still stuck in the role of being suppliers of cheap raw materials for the industrialized countries, while importing expensive manufactured goods.

Considering this gloomy picture, what are the realistic economic prospects of African nations? Under the most favourable economic conditions, i.e., a continued growth of the world economy and improved commodity prices for Africa's main exports, viewing the serious structural imbalances in most African economies, the prospects still look uncertain. Under the worst scenario, with a world-wide recession, high energy prices, reduced foreign aid, and low demand for Africa's exports, the prospects look frightening, unless a major shift in development policies takes place very soon in Africa. Unfortunately, the worst scenario is the most likely one.

In the recommendations presented in this report, suggestions will be given for the restructuring of the Togolese economy based on the principles of the Progressive Utilization Theory (PROUT), which this mission believes to be the remedy for the ills that presently affect the economy. Even during the worst economic scenario, the pursuance of these policies should be able to offset many of the effects of a world-wide depression, and set the course for an economic recovery that would involve all levels of society.

1.2 Underdevelopment and Poverty: Its Nature and Cause

The problems of lowered living standards, unemployment, poor standards of health, nutrition and education, and looming debt burden, are not unique to Togo, but is a universal phenomena throughout Africa during the past 10 years. As the prob -

blems are common, the causes of the problems must also have common roots, and these cannot be found within the context of one country alone.

North-South Conflict

It is obvious that there are vast differences in living standards between industrialized countries, like USA, Japan and France, and developing countries, like Togo, Bangladesh and Zaire. The most important reason for these disparities, is that the industrial countries use up such a great proportion of the world's resources. For example, the United States, which in 1973 made up only 5.6% of the total world population, used up 40% of the world's primary resources, or about 7 times the world average per capita utilization of primary resources. At the same time their GNP per capita of US\$16,600 (1985 figures) were just below 7 times the world average GNP per capita.*

On the other hand, developing nations, which make up just below 80% of the world's population, use only 20% of the world's primary resources, i.e., only 1/4 of the world average. Consequently, their average GNP per capital at US\$610, is only slightly more than 1/4 of the world average. This shows a clear link between the use of primary resources and the GNP per capita.

Most of the world's primary resources are located in Third World countries. In terms of natural resources, Africa is in fact one of the richest continents in the world. Then why is Africa so impoverished? The reasons is probably because most of these resources are, in fact, being exported cheaply to so-called 'developed' countries, who are the ones to process the raw materials and benefit from their use. Then in return, they export expensive manufactured goods back to Africa.

"The interesting thing," Sarkar (1987a:60) comments, "is that none of the so-called developed countries can stand on their own legs None of these countries is 'developed' by developing its own resources."

From the correlation between the amount of primary resources utilized and the GNP per capita, it follows that as long as African nations remain stuck in their roles as suppliers of cheap raw materials, and importers of expensive goods, they will never be able to rise up from poverty or see any appreciative rise in their GNP per capita. No structural adjustment programmes or austerity will help, unless the basic role of African economies is changed. To come out of the present exploitation, Africa will have to start to develop its own resources. i.e., process its raw materials before export, and increase its intra-African links.

Urban-Rural Conflict

There is another conflict, by some considered even more important than the North-South conflict, that contributes to the poverty in Africa. This is the conflict between the developed cities, and the impoverished rural areas. This imbalance stems from the growth-pole concept of spatial development, which recommends that investments should, in the words of Unwin (1989:14) "be primary urban and industrial in nature, and based on large projects using 'high technology'". From these industrial growth-poles, it is argued, rural development would spread out and eventually benefit the whole state.

Unfortunately, this never happens. None of the wealth from the major cities trickles down to the rural areas. Rather, an urban bias is created, and the cities turn parasitic. Instead of wealth flowing from the city to the countryside, resources are drained from the rural areas to the cities. This is done by the terms of trade between the vil lages and the city. Food prices are kept artificially low, so the poorly paid workers in the cities should be kept satisfied. This means that farmers are being under-paid for their products, and wealth is drained to the city. Other raw materials, such as oil (Nigeria), gold (Ghana), and phosphates (Togo), which are taken out from the ground in the rural areas, are controlled either by the state or by some private companies. Though the wealth is found in the midst of the countryside, the people living there get nothing out of it. All the profits end up in the cities.

When it comes to the national budget and investment, the rural areas are usually also disfavoured. They get just a tiny proportion of the total amount, while the main portion goes to industrial development or infrastructure in the cities. This is in spite of the rural areas contributing a big share of the GDP, in the form of agricultural products and other primary resources, and almost 100% of all exports.

* The calculation of a world average GNP per capita excludes certain countries, mainly communist, for which no World Bank figures are available, viz., Afghanistan, Chad, Cambodia, Laos, Uganda, Vietnam, Iran, Iraq, Rumania, Albania, Angola, Bulgaria, Cuba, Czechoslovakia, East Germany (former), North Korea, Mongolia, and the USSR.

So, the cities get cheap food, raw materials for export and cheap labour from the rural areas while the rural areas themselves get almost nothing from the cities. The small proportion of the national budget that goes for rural development mainly benefits a small group of rural well-offs, while the rural poor is almost totally neglected.

Top-Down Vs. Bottom-Up Development

The basis of this exploitative system lies in the top-down system of economic development. All plans and projects are initiated from the top, and prosperity is then supposed to trickle down to the bottom. It never does. The system has only worked to make a few companies and individuals on the top rich, and to keep the poor poor.

To change this trend and to allow all people a chance to develop, an alternative bottom-up development strategy has to be initiated. Planning and economic development must begin on the smallest level in the rural areas. This new approach to development is essential if the economic exploitation of the rural population should stop. Sarkar (1988xv.29) writes,

The justification for establishing socio-economic units throughout the world lies in the facts that any attempt to develop an area must start at the grassroots level. That is, the direction of economic development should be from the bottom to the top, not from the top to the bottom. The latter is impractical and a utopian myth.

Conclusion

We can conclude that the main problems of poverty in the world today is the drainage of wealth from a large area to be concentrated in a small area. We found that this works on two levels, viz., first between rich and poor nations, and secondly, between the cities and the poor rural areas. To solve these two imbalances, we need new economic policies which prevent the drainage of wealth from one area to another, and allow each local area, as well as each developing nation, to fully utilize its own resources, and get the full value added on any item it sells.

1.3. Progressive Utilization Theory

The Progressive Utilization Theory (or PROUT for short) is a fairly recent economic theory, given by the Indian scholar P. R. Sarkar. It is a theory which incorporates principles and policies to prevent the drainage of wealth from one area to another, and would, therefore, seem to offer a solution both to the North-South conflict and the Urban-Rural conflict.

Decentralization

The special feature of PROUT is its policy of decentralizing economic activity, by creating self-sufficient economic units, which would have their own economic planning.* The decentralization of planning goes down to block level, where each block (in Togo approximately a prefecture) should make up its own economic plan, within the framework of a national master plan. The aim is to make each small unit strong and prosperous, rather than concentrating all development efforts in certain growth poles.

When all the separate units are strong, then the whole country will also be strong. On the advantage of this decentralized block-level planning system, Sarkar (1987xii:39) writes:

[The block] is small enough for the planners to understand all the major and minor problems of the area; local leadership can come forward to solve the problems according to their priorities; planning will be more practical and effective and will give quick, positive results; local cultural bodies can play an active role in mobilizing human and material resources; the unemployment problem will easily be solved; the purchasing capacity of the village people will be enhanced, and a base for a balanced economy will be established.

This decentralized system lies in the heart of all PROUT policies. The first advantage of decentralized planning is that it can provide full employment for all people. With a centralized planning and big capital intensive centralized projects, the countryside gets neglected and unemployment rises. On the other hand, in a decentralized planning system, all human resources can be properly harnessed. Secondly, the drainage of wealth from the rural areas to the major cities will also stop, as

* The colonial legacy of irrational national boundaries makes the task of creating such units in Africa more difficult, unless an increased economic co-operation between African nations can be achieved. Togo, being a rather small country, in the present situation, could, for planning purposes, be considered one economic unit.

development starts in the local areas, and then proceeds upward instead of vice versa. Finally, decentralized planning will ensure the total participation of the local people in the planning and the implementation of any development efforts. This is a prerequisite for success in rural development.

The planning bodies must aim at a balanced development, and growth, though important, should not alone be the criterion for economic development. Other important aspects would be full employment, maximum productivity of each economic unit, a proper calculation of the cost of production, a gradual increase of the purchasing capacity of the population, and that all the collective needs of the area are satisfied.

In the first stages, in order to provide employment to all, labour intensive schemes, such as labour intensive road and dam construction could be initiated, as well as the clearing of new farmland for agriculture. Cottage industries utilizing intermediate technology could also be introduced. The importance here is to provide everyone with a job which can earn him a living wage. Capital-intensive technology is too expensive to provide employment for more than a tiny fraction of the people entering the labour market every year.

Still, some essential industries, such as power, steel, and other capital intensive projects providing essential raw materials and intermediate goods for other business, will have to be accepted. Around these, other smaller scale industries could be established, utilizing the intermediate products produced by these large-scale industries.

All industries that produce essential goods, like food, clothes, and housing, should be decentralized, to ensure that people's basic necessities are met throughout the country.

Industries and Raw Materials

To prevent the continued drainage of wealth from African countries to the developed industrialized countries, PROUT suggests that all raw materials must be processed and utilized within the country who possesses the resources. That is, no raw materials should be exported without processing, and no industry should be based on imported raw materials. At least the majority of the inputs that goes into local industrial production, should come from the country itself. Then if a surplus is created, the final products can be exported with its proper value added. This is the only way to prevent a continued drainage of wealth from Third World countries to the industrialized countries.

Ownership of Business and Industries

PROUT favours a co-operative system of ownership, where workers become part-owners of the business and industries they work in. With workers, we do not mean solely blue collar workers, but everyone who contributes to the business, such as white collar workers, technicians, and managers. The distribution of ownership does not need to be equal, but should rather be rational, i.e., people who provide a more valuable contribution to the business should have a greater share.

The advantage of this extended form of ownership, is that the conflict between owners and employees will cease, and this will ensure a greater participation of workers in the manufacturing process. If hard times hit the company, rather than to demand higher wages, the workers would work overtime and put in extra energy to save their company. Furthermore, this form of extended ownership will spread the benefits to a larger number of the population, and would avoid excess wealth concentration.

Would this type of labour managed firms be viable? Here, as always, economists disagree. Evidence of actual worker managed industries, however, tend to show that they are not only viable, but are general run as well as, or better than, privately or state-owned companies. A study by Balassa and Bertrand (1975) on self-managed systems in Yugoslavia between 1953 and 1965, pointed conclusively towards the superiority of self-managed systems as compared to both socialist and capitalist forms of ownership. A very successful example of common ownership in Western Europe is the Scott Bader Commonwealth, which was created in 1951 after Mr. Scott Bader transferred the ownership of his company to his employees at the time of his retirement. (Schumacher 1973:230).

PROUT recommends a system where large-scale business are run in a co-operative fashion, while small-scale industries and businesses remain in private hands. However, key-industries providing essential raw materials and intermediate goods, which could be abused if controlled by private individuals, should be owned and controlled by the state. These would include energy, steel, water, etc.

Income, Wealth and Taxes

As can be seen from the ownership policies mentioned above, PROUT encourages private ownership, but opposes excess concentrations of wealth. Only when wealth is fairly equitably distributed, do the laws of demand and supply and other economic calculations based on a free competitive market work.

Consequently, PROUT also proposes the introduction of a guaranteed minimum wage, as well as a maximum wage. Income tax should be abolished as it only serves to encourage fraud and the growth of the black economy, as tax payers always try to evade taxes. Instead all taxes should be in the form of VAT and excise duties. The use of progressive taxation as a means to redistribute income will not be necessary if the provision of a maximum and minimum wage is implemented.

Agriculture

For the development of agriculture, PROUT suggest a system of agricultural co-operatives. In the past, agricultural co-operatives have done badly in centrally planned economies, mainly due to excessive state control, unnecessary coercion, and an unpsychological approach. In a PROUT co-operative, farmers should retain shares in the co-operative in correspondence to the land they contributed. The co-operative should also be free to grow what it wants, and sell the produce at market determined prices. At an initial stage, farmers could be encouraged to build on the african tradition of collective labour where, while keeping their individual farm lands, all members of the collective group help each other to plant, weed, and harvest each other's fields in turns.

The advantage with the co-operative system is that farmers can more easily be reached for extension work, and introduced to new techniques, new seeds, and other improvements. They would also have easier access to credit, and if several farmers' co-operatives joined together, they could form marketing co-operatives which would cut out the middlemen between the farmers and the consumers, and thus, increase the farmers' income.

Other PROUT Reforms

The main principles of PROUT are to maximally utilize all available resources, whether natural or human, and to rationally distribute these among the people. Therefore, as time and situation change, the specific methods of utilization may vary and different policies be derived at different times. Further explanations of PROUT policies, such as balanced economy, educational policies, monetary and fiscal policies, etc., will be found in the main body of the text.

2. Recommendations

The PROUT Research Institute is of the opinion that the most viable option to counter the basic economic imbalances in Togo and other West african states, is to implement a programme of economic reform based on PROUT, the Progressive Utilization Theory. For full details of the economic policies recommended by this mission, read Chapter 3 outlining the basic concepts of a PROUTist economy, and the recommendations listed in Chapter 4 and 5 regarding political and economic reform respectively. An Appendix deals with the implementation of reforms, and presents a phase wise programme for the gradual transformation of the economy.

A summary of some of the key recommendations of the mission are as follows:

- Decentralization of Economic planning (3.2.4.2., and 5.2.4.1.)
- Establishment of People's Economy (3.1.1. and 5.2.4.1)
- Introduction of a bottom-up development strategy (3.2.)
- A new agricultural strategy, based on:
 - ☐ appropriate farming methods and local co-operation.
 - ☐ agricultural co-operatives, (3.4.1. and 5.2.4.1.)
 - ☐ attractive farm prices, (5.2.4.2)
 - ☐ low and no cost techniques for the improvement of yield, (5.2.4.2.)
 - ☐ soil conservation (5.2.4.2.)
 - ☐ agro-forestry, (5.2.4.2.)
 - ☐ increased agricultural research, etc. (5.2.4.2.)

- A new industrial policy, based on:
 - local raw materials rather than imported ones (3.4.4.1 and 5.3.3.).
 - processing of raw materials before export (3.4.4.1. and 5.3.3.)
 - an expansion of agro and agrico industries (3.4.2. and 5.3.3.)
 - labour intensive methods based on intermediate technology, and (3.3.4.3 and 5.3.3.)
 - increased use of sub-contracting (5.3.3.)

In particular, an integrated textile industry, and in the long term, a fertilizer industry based on phosphates, should be developed. (5.3.3).

- Other important recommendations concerns,
 - regional co-operation (5.9.6)
 - political tension in Togo, and how to confront it (4.4)
 - the role of women, (5.6.4.4.)
 - the educational system, and (5.6.4.1)
 - nutrition and health (5.6.4.2 and 5.6.4.3).

For details, refer to the appropriate sections.

PART I
General Analysis

Chapter 1

Economic Decline In Togo And West Africa During The 1980s.

1.1. Debt Crises and Structural Adjustment Programmes

The marked reduction of business activities around the world after 1979, as a direct result of the increase in oil prices, affected most West African countries. There was a decrease in the demands for raw materials from Africa, hence prices for these commodities fell, in many cases sharply. As most African countries are dependent on the sale of one or a few raw materials, this seriously affected the supply of foreign exchange, the balance of Payment, and GDP.

In the belief that the down swing in producer prices of raw materials would be temporary, many countries, including Togo, resorted to heavy external borrowing. In Togo's cases the money was mainly invested in the productive sector, establishing many new parastatal companies. Unfortunately, these investments could hardly be considered successful. In its report on unemployment in Togo, the PECTA (1985:27) writes:-

Today all observers agree that most of them were never viable from their inception, due to the unavailability of sources of raw materials or lack of outlets for their final products, or due to the use of inappropriate technology: a refinery that is too small and with outdated technology in a country without petrol; a scrap recycling plant which from its inception had difficulties to collect car wrecks from neighbouring countries; a cashew nut factory without a structure to collect cashew nuts from the farms; sugar refinery without sufficient supply of sugar cane, producing sugar at a higher price than imported products; the establishment of a clinker factory in a time of global overproduction; luxury hotel built without regard to the number of tourists visiting the country; institute for the mechanization of agriculture importing materials not adapted to the country, etc...

Successful or not, these new investments required much money, and were the main cause of Togo's huge debt burden. From a total external debt in 1979 of 72.52 billion F CFA, it had jumped to 309.78 billion F CFA in 1983. This amounted to 112.64% of GDP, or 459.06% of annual export earnings! Only the servicing of the debt had by 1982 risen to more than half of annual exports. (PECTA, 1985).

With the strangulating weight of the debt, Togo sought help from the IMF. The situation was the same for many African countries at this time. Heavily indebted and with reduced capacity to generate income they had not much choice. But IMF, as everyone knows, have certain "conditionalities" attached to their assistance. These conditionalities have two aims, viz. to reduce domestic demand, and in the long term, restructure the economy so future renewed growth is possible. Unfortunately, the reduction of domestic demand seriously affect the purchasing power of the poor. Chief among these conditionalities are:

- Remove subsidies on food etc. (effects the poor)
- Freeze on wages (affects mainly the poor)
- Balanced budget (as this implies usually a cut in social welfare, it also affects the poor)
- Trim government departments, by retrenching "unproductive" personnel (creates urban unemployment and poverty)
- Devaluation of currency (not imposed in CFA countries)
- Remove restrictions on imports

- High interest rates

The purpose of the programme is to redirect resources from wage increases and social service expenditures to paying off the debts or building infrastructures. However, whenever money is reallocated it has to come from somewhere. In all countries where IMF has introduced its programmes, it is the poor that has paid the heaviest bill.

We are not here arguing against the necessity of Structural Adjustment, prudent fiscal policies, and a balanced budget. We are simply pointing out that within a capitalist framework, the poor are the one who pay the largest part of the cost of adjustment.

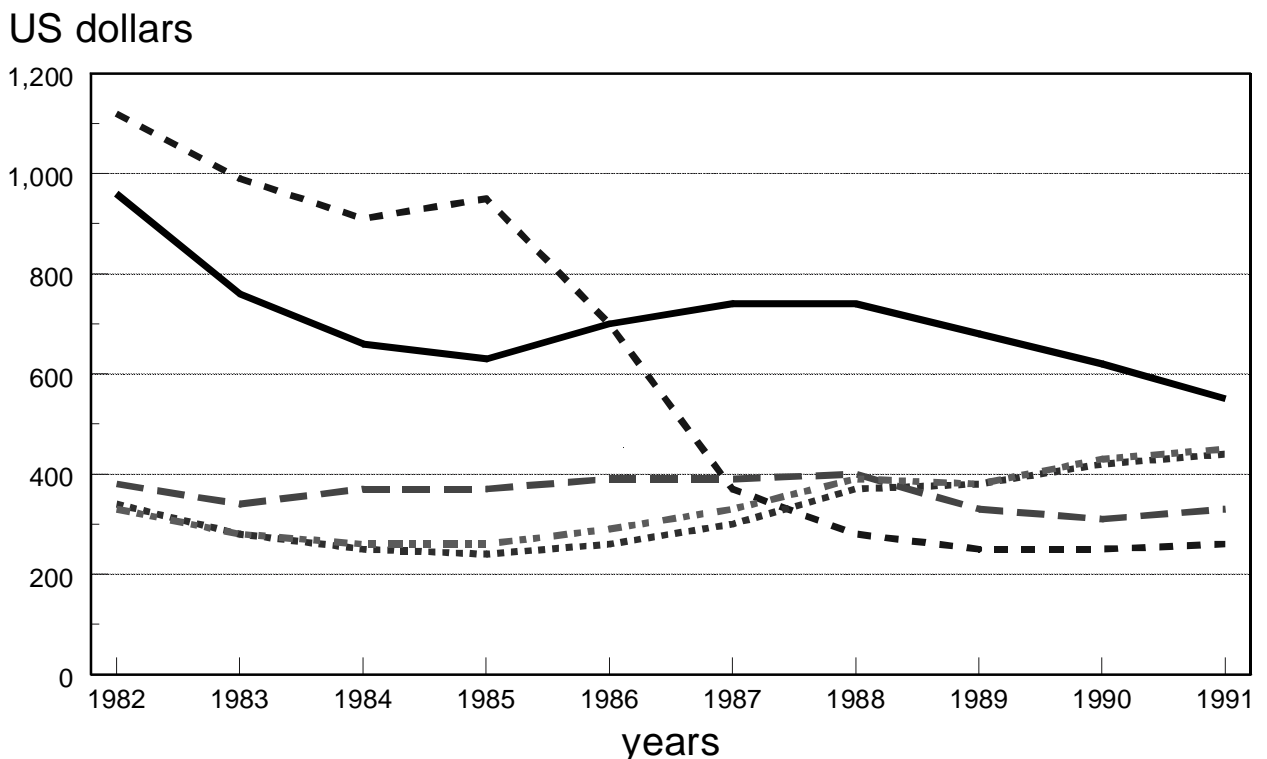
1.2. Per Capita Income and Purchasing Capacity:

The 1980's saw a general decline in living standards in all West African countries. The decline has been most marked in middle income countries like Nigeria and Ivory coast. In Nigeria, the decline has been so great that it was recently reclassified by the World Bank as a low income country. The GNP per capita there has fallen from over US \$1,120 in 1982 to an estimated US \$250 in 1990.

The GNP per capita at current prices in other West African countries like Togo, Ghana, Benin and Burkina Faso, experienced a decline in the early 80s and gradual recovery since 1984. At constant 1980 prices the GDP per capital has been fairly stagnant. In the case of Togo it stands just below US\$400, for Benin and Ghana between 300 and 350, and for Burkina Faso around US\$200. In the case of Benin, the GDP per capita has been constantly declining at constant prices throughout the 1980s (ECOWAS, 1988). (See also Graph 1.)

This, however, does not provide an accurate picture of the actual situation. In the case where GDP was falling, like Ivory Coast and Nigeria the purchasing power of the general population has fallen much faster than the fall in GDP per capita, and where the GDP per capital has increased, like Ghana and Togo, the purchasing power has still gone down significantly.

Graph 1: GNP per capita for selected ECOWAS countries.



Source:
Jeune Afrique
(1991)



In Ghana, after 8 years of economic growth between 5 and 6% per annum, a Ghanaian worker now has to work twice as long as before to buy a chicken. (Caetanya, 1990a). In Nigeria, a minimum wage in 1990 could buy only 10% of what a minimum wage could buy in 1980. These facts show that the lot of worker is worse today than it was ten years ago.

1.3. Unemployment

While those who work have seen a reduction in their living standards, an even more serious trend is that more and more people find themselves out of work. In Togo, as in many other ECOWAS countries, the government was in its efforts to reduce spending forced to put a ban on new employment and promotions. As the public sector employs just under half of the modern sector employees, and more than half of all managers and graduates (PECTA, 1985), this has a serious impact on employment, especially among young graduates. Simultaneously, the demand for labour in the private sector has also been low.

Steps in some other ECOWAS countries have been even more drastic. Ghana embarked on a massive campaign of re-trenchment in its overstuffed administration and parastatals, which left tens of thousands of people without jobs.

At the same time, the population in West Africa is growing rapidly. In Togo the annual growth rate is around 2.7%. Half of the population is under 15 years. As they are entering the job markets, there is increasing demands for more jobs. Indeed, figures produced by Direction Generale du Travail, Division Statistique et Documentation, show clearly that the demands for jobs is increasing much faster than job offers. If the present trend continues, there is no conceivable chance that the modern sector could absorb more than a fraction of new job seekers. This is not only true in Togo, but in the entire West Africa.

The Togolese economy is basically a rural one, with around 72% of the active population engaged in agriculture, 21% in the informal sector, and less than 7% in the modern sector. The trend is similar in most African countries, with the majority of the people living on subsistence farming, with little or no amenities.

1.4. Rural Exodus

Almost all money invested in the national economies in Africa has gone to the cities, with only a fraction going to rural development. This reflects the prevailing attitude of government planners called the "growth-pole" concept, or "top-down" planning. Rondinelli (1985:3) describes it in these terms:

The growth pole concept of spatial development suggests that by investing heavily in capital-intensive industries in the largest urban centres, governments in developing countries can stimulate economic growth that will spread outward to generate regional development.

This supposed regional development has been conspicuously absent. Instead we find an increasingly large number of people trying to force a living out of over-worked fields which are gradually being destroyed by erosion. This reduces the quality of life in the rural areas, and we find an exodus of primarily the young and educated who chose to leave for the towns where the chances of getting a job is very small, rather than to stay in the village where the chance of getting a job is zero. As the young and active leave, it increases the proportion of the inactive population left in the rural areas, and so the standard of living decreases further.

This exodus to the cities increases the unemployment crises in the main towns (In Lome estimated at 20% in 1984 (PECTA, 1985) and probably more by now), causing congestion and housing problems.

With the modern sector only absorbing a small number of the active population, and the limited capacity of rural areas to support more people on their already depleted land with present methods of agricultural production, it is hard to avoid the conclusion that, barring a major shift in development efforts, the lot of the majority to the people will continue to deteriorate.

1.5. Export

Almost all African countries are heavily dependent on exports of raw materials as their source of foreign exchange. This has got historical links, as the colonies were mainly set up as suppliers of raw materials for Europe. This was their *raison d'être*. By the time they gained economic independence, almost all inter-Africa trade, which had flourished even during the slave days, had been obliterated. Instead their economies had been reduced to becoming suppliers of cheap raw-materials and importers of finished goods (Caetanya 1990b).

After more than 25 years of independence, African states have not been able to break out of this situation.

Generally, each country has specialized in one or two raw materials from which it derives most of its foreign exchange. Nigeria, naturally, relies on oil, Ghana on cocoa, Togo on phosphates and cotton, and so on. Unfortunately, the prices in the international market for raw materials are highly volatile, and can vary drastically from one year to another. When the prices are up economic plans are made based on these higher prices. When the bottom goes out of the market and the prices collapse overnight, such plans become unworkable and the country end up indebted, as happened in Togo in the late 70s after the collapse of the phosphate prices.

This dependency on a few raw materials is a very unhealthy situation for any country. However, certain policies by the IMF and the World Bank seems to implicitly encourage this situation. We will return to this in a later section.

1.6. Imports

The main imports in Africa are manufactured goods, machinery (incl. vehicles), and food, in that order. (UN, 1985). Most of the food items are costly luxuries, like jam, cheese, biscuits etc. Another large section of the imports consists of alcoholic drinks and tobacco.

All these items have a great value added in the manufacturing process, as opposed to raw materials. This means that the terms of trade are generally in favour of the industrialized countries, who import cheap raw materials from Africa, and export expensive manufactured goods. It is clear that as long as this imbalance continues, Third World countries will never be able to sustain a growth in living standards among their people. In fact, there is a net outflow of resources from the Third World to the industrialized North.

And who benefits from the imports? Mainly a small portion of the urban population.

In Togo, the rate of consumption goods as part of the total imports varied between 50% and 60% during the 80's.¹ In 1981, 14.3% of total imports was spent on food, and an additional 11.3% was spent on drinks and tobacco. (UN, 1985). It means a total of 25.6% on foods and drink! Out of these, very little was basic food stuffs for the common people, in which Togo is self sufficient, but luxury goods for the upper classes who have acquired the tastes of European foods.

Another interesting aspect of the imports is the small amount of trade within Africa. Only 6.7% of Togo's imports can from Africa.

1.7. Education

In general, the standard of education and the attendance of children in primary schools in West Africa has been falling in the 1980s. Indeed, one of the goals of the Five Year published by the Togolese government (DGPD 1990a:100) is to:-

while taking into account the increase of the number of children of school age, to restore the percentage of children attending school to the levels of 1980.

However, it is doubtful if a stepping up of the literacy drives and primary school education will in it-self improve the economic or social situation in West African countries. Even an increase in Secondary and university education and professional courses would be pointless, if no new jobs were created for those who graduate from these courses. At present, there is already widespread unemployment among academics, and the number is increasing every year.

Further, only a fraction of the active population is employed in the modern sector. In Togo the figure is 7%. But even out of this small number only half of those so employed require even a preliminary education to qualify for their jobs. As for those employed in subsistence farming or the informal sector, the formal education given in schools has very limited practical value to help them in their jobs.

As a result, 2/3 of the population is being trained for jobs which will be obtained by only 3.5%! This is yet another aspect of an imported European system which prepares people for a European lifestyle, with capital intensive industry, formal education, heavy urbanization, and materialistic consumer habits. The fact that only a very small percentage of the population can ever obtain such a life-style should be reason enough to redirect the development efforts to include the entire population by

concentrating efforts to creating jobs and increase living standards in rural areas. One of the things needed would be to reassess the role and function of education in the rural areas. This may require a totally new approach, with new curricula and newly trained teachers. We will return to this in our recommendation. (5.6.)

1.8. Health and Nutrition

As austerity measures taken by West African countries seem to mostly hit the poorest sections of the population, there are indications that levels of malnutrition among children have increased in recent years. It is not so much that the food is not available, but that people do not have the purchasing power to buy what they need, and that the food they buy even if in sufficient quantities, may be deficient in certain nutrients, such as proteins and vitamins. In Togo, statistics by the Ministry of Planning and Mines shows that there is actually a slight surplus in food production, and the problem is more one of distribution: some people are too poor to buy the food they need.

One can see another interesting paradox in the health services. As a part of the Structural Adjustment Programme the Togolese government imposed a ban on new recruitment into the public sector. This has created the situation where new doctors and paramedics leaving medical school go unemployed, while many community clinics (and dispensaries) are without staff. (PECTA, 1985:xii)

Another reason for the deterioration in health among the population is similar to that of the reasons for malnutrition. Poor people simply do not have the money to spend on medicine and doctor's fees.

1.9. Ecology

In industrialized countries today, there is a growing concern about environmental issues, such as air pollution, global warming, and nuclear waste. Though these problems are also affecting the developing world, most Third World countries are preoccupied with economical survival and environmental issues, such as those mentioned, tend to take second place.

There is also a perception among many Third World countries that the industrialized countries are mainly responsible for the present ecological imbalances, and that they alone have economically and materially benefited from the technologies that now spoil the environment. It is therefore wrong, the argument goes, that industrialized countries should now try to point fingers at Third world countries and try to enforce environmental standards in these countries, which they cannot afford to pay. A point in case is the recent issue of chloro-fluoro-carbons. Chloro-fluoro-carbons are a group of gases which are alleged to destroy the world's ozone layer. They are mainly used in air conditioners, refrigerators and spray cans. After recent dramatic drops in the ozone levels over Antarctica, the industrialized world pushed for a total ban of these gases. However, many countries from the Third World, led by India, refused to agree on a total ban, unless the developed countries would provide the funds and the technology for them to replace these gases with the new technology which is too expensive for them to manage alone.

Still there are other ecological dangers for Africa which are so grave that no African government can ignore and which directly will affect the continent's survival in the years to come. There has been a gradual deterioration in the per capita crop production (both food and cash crops) over the years. This decline is tied to an environmental crisis with Africa's soil and vegetation being degraded rapidly.

Africa has one of the harshest and most sensitive climates in the world. African farmers have, under thousands of years, tried to adapt to this climate through a method of traditional agriculture. As long as the population was low, the system worked and was self-sustaining. In the last 25 years, the population has, however, grown so rapidly, that population density is becoming a real problem in many places. Under these new conditions, the techniques used by farmers since time immemorial, have suddenly become inappropriate, and has started to degrade the soil on which future production depends.

African soil is low in organic content and clay. This makes the soil poor in holding water. It also makes it susceptible to erosion, as clay and organic matter tend to bind the soil together. This easily eroded soil, when faced with the torrential floods that characterizes the African rainy season, cause massive soil erosion. On cultivated fields, the loss may be up to 90 tons per hectare while on bare fields, up to a massive 170 tons per hectare can be lost. This means that soil that took nature 100 years to form, is washed away in one year!

What protects the African soil to wash away is forest. Under the cover of forest, a mere 30-200 kg. of soil per hectare is washed away. This is much less that what is formed fresh every year.

In traditional African agriculture, land is cleared for farming, used for maybe 3 years, and then allowed to lie fallow. During the period of fallow, grasses and bushes re-invade the fields, restore nutrients to the soil, and protect against further erosion.

When population pressure increases, land is no longer allowed to lie fallow, as all available land is used, with poorer and poorer yields. At that time, soil erosion takes place at a frightening pace. In some areas in Africa, almost all top soil is washed away, the land is turned into desert, and is then subsequently abandoned.

Apart from the clearing of land for farming, much forest is also lost when trees are cut down for firewood. Commercial timber companies are also responsible for the destruction of vast tracts of forest. This cutting down of forest also changes the rain patterns, and drought becomes more and more common. At present, Togo depends on firewood for 90% of its energy needs. All these factors contribute to the destruction of vegetation cover and thus causes increasingly more erosion.

This is a formidable ecological problem in Africa which has to be tackled promptly, if the type of starvation seen in Ethiopia should not be commonplace throughout Africa.

Another concern is the threat facing wildlife in Africa. Many species are on the verge of becoming extinct. Though this may be of less immediate economic concern for most governments, it is a serious threat to the long term ecological balance.

1.10. Human Development Index

As we remarked earlier, GDP or GNP per capita is not a very reliable measure of development, especially human development. A country with fairly low GNP could allocate its resources in such a way, that the life for its inhabitants is much better than that of those with a higher GNP per capita. There have been several attempts to develop an index that would more accurately picture the quality of life for people. One such attempt was the PQLI (Physical Quality of Life Index) developed by D. Moris of the Overseas Development Council. The PQLI incorporates literacy rate, life expectancy, and infant mortality rate in its calculations.

However, the most recent attempt is the HDI (Human Development Index) developed by a team of experts at the United Nations Development Programme (UNDP). This HDI takes the average real income level, adjusted to reflect purchasing power in the country concerned, adult literacy, and average life expectancy and combine these factors to form an index.

Using this HDI, how does Togo compare to other ECOWAS countries? Fairly well, as a matter of fact. Among the 14 ECOWAS countries contained in the Human Development Report (UNDP, 1990), Togo came out 3rd, ahead of countries like Nigeria and Senegal with higher GNP per capita. Considering that Togo has one of the lowest GNP per capita within the ECOWAS (number 10 out of 14), it seems to suggest that Togo has used its resources comparably better than most other ECOWAS countries, if human development should be the guiding point. But there is still much that can and need to be done.

1.11. Conclusion

In the general decline in living standards in West Africa during the 1980s, Togo has not been left untouched. It has a huge external debt, a negative balance on the current account and a debt servicing amounting to more than 1/3 of export earnings. The structural adjustment programme that has been in force since the beginning of the decade has had some effect on preventing a deterioration of the macro-economic situation and has reduced the budget deficit to manageable levels. However, it has also severely affect the living standards of the poorest layers of society, a fact that was acknowledged in the government's recently published five year plan.

After stressing the important role the adjustment programme has played in creating a base for future growth and macro-economic equilibrium, it admits that:-

It is accompanied by certain negative social consequences for certain categories of the population, in particular the least favoured groups, especially in the areas of employment and income, nutrition, health and education (DGPD, 1990a:56).

These problems of lowered living standards, unemployment, poor standards of health and nutrition, and a deterioration in the educational system is by no means unique to Togo. Rather, it is a universal phenomena throughout Africa during the last

10 years, and so the causes for the decline cannot be found within the context of one country alone. There must be some common patterns in the development, or lack of development, in African countries.

In the next section we will analyze these causes, and use it as a base for suggestions of alternative ways to development in Africa.

Chapter 2

Underdevelopment and Poverty: Its Nature and Cause

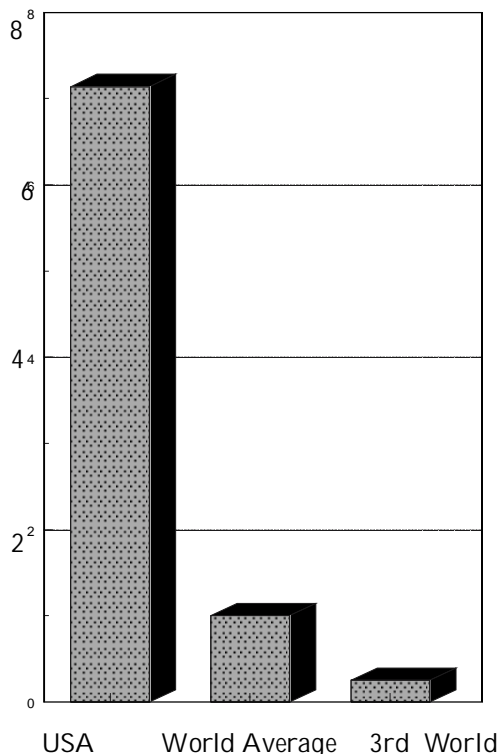
2.1. North-South Conflict

2.1.1. GNP/Capita and Use of Primary Resources

It is obvious that there are great differences between the standard of living in industrialized countries like the USA and France, compared to the poor developing countries. Close to 50 countries in the world have national incomes per capita below \$500. ECOWAS has an average GDP/Capita in 1987 of US\$465.00. (ECOWAS, 1988) This should be compared with US GNP/Capita of US\$16,600. (World Bank, 1987)

How is it possible that a country like the USA can have such a high per capita income compared to the poor countries? Is it because it uses its resources more efficiently than other countries? That may be one reason, but not the most important one. Far more significant, we believe, is that they use such a great proportion of the world's resources. In 1973 Schumacher (1973:98) estimated that the US, which then made up roughly 5.6% of the world's population, used around 40% of the world's primary resources.

Graph 2: Per Capita Use of Primary Resources.



NOTE: 1=World Average use of resources.

Using some simple calculations we can see to which extent the use of primary resources are related to GNP. For this let us assume that the national income in all countries are proportionate to the primary resources utilized, and as a consequence the GNP per capita is proportionate to the percentage of the world resources per capita a country uses. Using the US figures as a base, and assuming that the ration of population to the resources used in the US still holds good, we would find that the average per capita income for a person who is using an average amount of primary resources in the world would be $16,690 \times 5.6/40 = 2,336.6$.

It is estimated that the 20% richest in the world use up roughly 80% of the world's primary resources. This means that the remaining 80% of the population have to manage with 20% of the world's resources. If our assumption holds

That is to say, the 80% of the world's population with the lowest incomes should have a GNP per capita of US\$584. Naturally, the figure of 80% using 20% of the world's resources is a crude estimate, so if we allow for a margin of error and say that 80% is using between 18 and 22% of the world's resources, then we will get, using the same methods of calculations, an average GNP/capita of between U.S.\$526 and \$634.

What is the real figure? According to World Bank data, the developing countries, which make up 77% of the world's population, had an average GNP of US\$610, well within our margin.

This simple calculation, though based on estimates between the amount of primary resources utilized and the GNP per capita in that particular country. Those who utilize most primary resources, have the highest per capital income (See Graph 2 and 3).

2.1.2. Drainage of Resources.

Does this mean that the U.S. contains 40% of the world's stocks of primary resources? Of course not. It only means that it imports raw materials from other countries, notably third world countries. P. R. Sarkar

Now the interesting thing is that none of the so called developed countries can stand on their own legs. They are simply compelling the developing and undeveloped countries to buy their industrial goods by creating circumstantial pressure on them. Non of these countries is 'developed' by developing its own resources. (Emphasis added).

He adds that these developed countries:-

seek to create satellite groups as suppliers of their raw materials and customers for their finished products. (Emphasis added).

Therefore an important aspect of economic development is the maximum utilization of primary resources. And where do we find the richest natural resources? Is it in the USA, Europe, or Japan? Though the USA has considerable natural resources, Europe is less endowed, and is even more dependent than the USA on imported raw materials. Japan is totally dependent on import raw materials.

One of the greatest reservoirs of primary resources is Africa. Africa is well endowed with energy, minerals, land and people. In terms of natural resources, it is one of the richest continents. But still it is steeped in poverty. If we are correct in making a correlation between utilization of primary resources and per capita income, Africa has the potential to become one of the richest continents on this plant. But to day, what is happening? Almost all the resources God has endowed Africa with, are being exported unprocessed to be utilized by the already industrialized countries. This is often done for very low prices, while manufactured goods, vehicles, and services are imported at high costs.

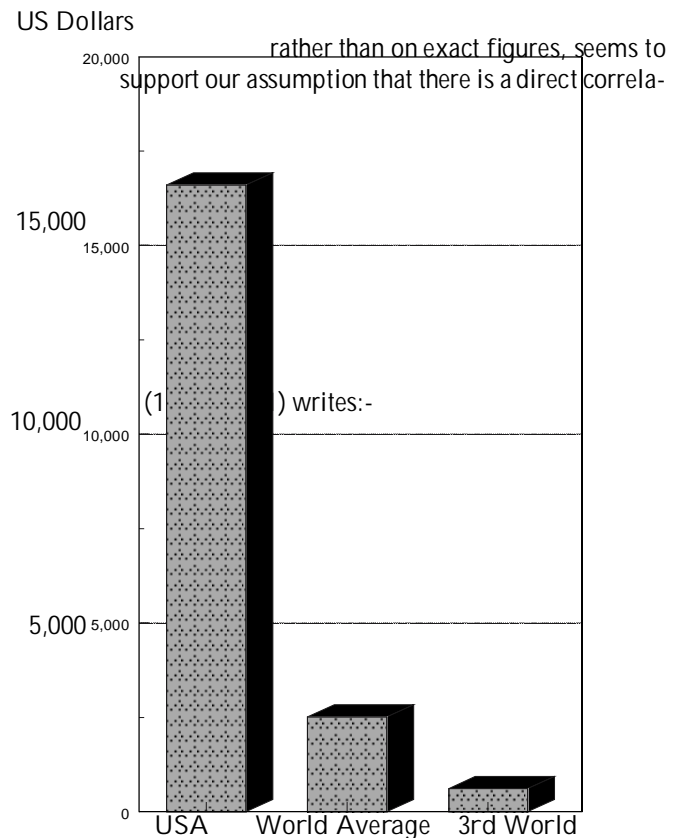
2.1.3. Historical Reasons for Drainage of Raw Materials

How did Africa end up in this situation? The answer can probably be traced as far back as to the slave trade. That was when the decline in Africa really started. The profit Europe made in the slave trade helped it to finance the industrial revolution, while Africa got divided and its way of life destroyed. (Caetanya 1990b) With its acquired advantage, Europe was in a better position to utilize and process large quantities of raw materials. Caetanya (1990b:41) writes:-

Once the industrial revolution took off, the need for slaves decreased. The foremost priorities now were to get new materials for the new industries, and markets for the surplus goods.

Much of the vital raw materials, such as vegetable oils and gums, were available in Africa. But as long as most able-bodied men were either shipped out as slaves or engaged in intertribal warfare, the materials could not be produced or exported in sufficient quantities. It therefore made economic sense to halt the exportation of slaves so

Graph 3: GNP per Capita.



some people could be left to produce the products Europe needed. The impact of human rights groups and anti-slave societies in abolishing the slave trade was only marginal. They were only allowed to become vocal when the financial powers had already decided to stop the slave trade.

If Europe needed labour to produce the raw materials needed for its industries, why did they not continue to catch slaves and use them on plantations in Africa instead? There may have been some practical difficulties with this (indeed, the French tried some forced labour camps for “freed” slaves, but it did not work very well), but apart from that there existed the important demand to create markets for the surplus goods produced in Europe. Slaves have no purchasing capacity, and therefore provide a lousy export market. Only free men can buy goods.

And so Africa was set up as a supplier of raw materials for the colonial masters in Europe, and as a market for the surplus goods produced by the raw materials Europe imported from Africa and other Third World countries. In the process, all traditional artisan skills suffered, and the once flourishing Intra-African trade routes dried up completely. So effective is the economic hold Europe has over Africa, that after political independence was achieved, most African countries up to this day remain as exporters of raw materials and importers of finished goods.

Seeing the importance of primary resources for the successful development of higher national revenue as discussed in this chapter, we have to conclude that one of the main reasons for the economic failures and lack of development in African countries, including Togo, lies in its inability to utilize and harness its raw material, which at present as being exported at give away prices to the industrialized countries in the North.

2.2. Urban - Rural Conflict

2.2.1. The Growth Pole Concept

Another conflict, by some considered even more important than the North - South conflict of rich and poor countries, is the disparity within developing countries between the developed cities, mainly the capital cities, and the underdeveloped rural areas. This imbalance stems from the reliance of planners on the growth pole concept of spatial development already mentioned, which has been the guiding theory for development in most places in the world. (Hansen 1981, Part, Thomas 1972) According to Unwin (1989:14):-

The implications of such development policies for urban and rural areas are that investment should be primary urban and industrial in nature, and based on large projects using “high technology”. This, it is argued, should in turn lead to rural “development”, which should spread out from the growth pole, and eventually give rise to a convergence of per capita income in different parts of the state.

2.2.2. Urban Bias

As we also noted, this type of “trickle-down” effect does not seem to occur, (Santes) and has instead created a “backwash” effect which has increased inequalities between the rural and the urban areas. Due to this reason, there has been much criticism of the whole growth pole concept. One of the strongest condemnations of this concept has come from M. Lipton. He claims (Lipton 1977:13) that:-

the most important class conflict in the poor countries of the world today is not between labour and capital. Nor is it between foreign and national interests. It is between the rural classes and the urban classes.

Lipton asserts that there is a strong urban bias, and that that bias in practical terms results in the redirection of a disproportionate share of resources towards the interest of the urban groups, and away from the rural poor:-

The towns get their cheap surpluses, food, exportables etc., even if not made very efficiently and equitably. The rural better-off get most of what is going by way of rural investment, price support, etc., even if not much of these. The rural poor, though efficient, get mainly pious words, though often sincere ones. (Lipton 1982:68).

Dr. E. F. Schumacher, (1973) identified the reason for this urban bias in the limitations of the present day science of economics, which tends to concentrate on only one aspect, i.e. whether a particular venture will generate a profit for those who undertake it. It is agreeably more profitable, from the point of view of the private investor, to use capital intensive technology concentrated in urban centres, with adequate infrastructure paid for by the government. It is profitable, because human la-

bour can be reduced to a minimum, and what is there can be gotten cheap from the numerous people migrating from the rural areas. But it leaves the countryside underdeveloped and poor.

In many cases there is a drainage of wealth from the rural areas to the urban areas similar to that of the drainage from poor nations to rich nations. Resources are being taken out of the rural areas, with very little compensation for those who worked to produce it. One important case in point is the production of food. For prices are often kept artificially low to assist poorly paid workers in the cities. However, this amounts to a drainage of wealth from the rural areas to the cities, as the farmers are not being paid proper prices for their products.

Apart from food, which is the major production in rural areas, other raw material are also taken from the countryside and either used in the cities or exported directly. Example of such are oil (in Nigeria for example), coal, diamonds, gold, phosphates, etc. As a rule the rural population in the areas from which the products are extracted are only marginally benefitting from the products that are being extracted. The profits are going to private companies and the central government. For example, the majority of Nigeria's oil production comes from River, Cross River and southern Bendel and Akwa-Ibom States. If even 1% of the revenue from oil throughout the years had gone directly for rural development in the villages around the fields the standard of living in those areas would have been significantly improved. As it is now, villages like Andoni, Okrika, Ekeffe, Ugheli, Enwe, etc. are extremely poor and underdeveloped, while the whole wealth of the Nigerian nation is being built from the revenues of the oil found in the ground in and around these villages.

We can conclude that the growth pole concept does not work, and that the living standards in the rural areas seem to rather decline than improve with the development of capital intensive industries in a few selected cities in developing countries. Rather than aiding the countryside, the richer cities seem to exploit the rural areas. If not directly, then through their terms of trade, which favours manufactured goods in the towns and disfavours raw materials and human resources in the country. If we want a development where the majority of people can participate, we must therefore rethink our development strategy. But can we do without the big industries and the big cities, i.e. ignore the modern sector? Dr. Schumacher (1974:139) writes:-

That the developing countries cannot do without a modern sector, particularly where they are in direct contact with the rich countries, is hardly open to doubt. What needs to be questioned is the implicit assumption that the modern sector can be expanded to absorb virtually the entire population and that this can be done fairly quickly. The ruling philosophy of the development over the last twenty years has been: "What is best for the rich must be best for the poor."

As a result, investment has been directed to the huge, the centralized, the capital intensive, the profitable. It has ignored the needs of the rural areas, where people are in need of the small, the decentralized, the labour intensive, and the useful.

2.2.3. Bottom-Up Planning

We need a reversal of the development strategy from a top-down concept to a bottom-up concept, i.e. instead of trying to make a few centres strong and having the affluence of these centres trickle down to the rural areas, we must start at the bottom and make the small units viable and self reliant. In expounding his Progressive Utilization Theory, which we will hear much more about in next section, P. R. Sarkar (1988xv:29) explains:-

The justification for establishing socio-economic units throughout the world lies in the fact that any attempt to develop an area economically must start at the grassroots level. That is, the direction of economic development should be from the bottom to the top, not from the top to the bottom. The latter is impractical and a utopian myth.

Dr. Schumacher agrees with Sarkar on the need for decentralized economic development. Conventional development policies recommended by present day economists, he argues, only help the rich and not the poor:-

It is a strange phenomenon indeed that the conventional wisdom of present day economics can do nothing to help the poor.

Invariably it proves that only such policies are viable as have in fact the result of making those already rich and powerful, richer and more powerful. It proves that industrial development only pays if it is as near as possible to the capital city or another very large town, and not in the rural areas. It proves that large projects are invariably more economic than small ones, and it proves that capital-intensive projects are invariably to be preferred as against labour intensive ones. The economic calculus, as applied by present-day economics, forces the industrial-

ist to eliminate the human factor because machines do not make mistakes which people do. Hence the enormous effort at automation and the drive for ever-larger units. This means that those who have nothing to sell but their labour remain in the weakest possible bargaining position. The conventional wisdom of what is now taught as economics by-passes the poor, the very people for whom development is really needed.

And he continues:-

An entirely new system of thought is needed, a system based on attention to people, and not primarily attention to goods - (the goods will look after themselves!). It could be summed up in the phrase, "production by the massed, rather than mass production" (Schumacher 1974:61).

But where to find such a new system, which will care about people and help them develop? Neither capitalism nor communism have had any success in this regard, as is obvious from their track records.

2.3. Conclusion

In discussing the problem of underdevelopment and poverty in Africa, we have identified two clear aspects that are somewhat related. First of all, we have seen disparity between the rich industrialized countries in the North, and the poor developing countries in the South, including Africa. Secondly, we found within African countries a disparity between the relatively rich urban centres, and the impoverished rural areas. We further found that these two are related in the sense that it is the same type of developmental strategy that has caused both these disparities, viz. that of the drainage of resources from a large area and concentrating it in a fairly small area.

With regards to rich and poor countries, we found a direct correlation between the amount of primary resources a particular country utilized, and its national income.

From this follows one simple truth. As the industrialized world is developed today by developing other countries' resources, it follows that there is no hope for the Third World in duplicating the development patterns of industrialized countries. If the present industrialized countries depend on the Third World for their raw materials and as markets for their surplus goods, then where would Africa get its raw materials from, and where would it dump its surplus goods? There is at the present no "Fourth World" where Third World countries can obtain raw materials from or dump their goods, and there never will be.

The truth is that the present system of development in so called "developed" countries depends on the existence of an external sphere of countries where development is kept to a minimum and the local resources, instead of being locally utilized, is being exported cheaply to the industrialized countries. But this creates a system where some countries have to be poor for others to be rich.

No, to develop maximally African countries have to start to utilize and develop their own resources, instead of exporting them unprocessed to the North. If they have to export (which all countries need to do) they should first process their raw materials into manufactured goods or partly processed goods, so they get their fair share of the value added in the final products.

Of course, against this it could quite reasonably be argued that the developed countries need to use more raw materials because they are developed, not vice-versa, and as long as the African countries have not reached a similar standard of development they will be better off exporting the raw materials to the North. To this we would reply that African countries will never reach a similar standard of development if they keep exporting all their primary resources (and importing expensive manufactured goods from the Europe), as the very basis for future development will be wasted.

Secondly, we saw that the basis for the conflict between rich cities and poor rural areas could be found in the growth pole concept of spatial development, categorized by a top-down method of planning. Though you can find intellectual justifications for this development model it seems pretty clear that its main attraction is that it is 'profitable' for private business and government, as it concentrates the wealth from the entire rural areas into the hands of a few rich in the cities. In short, its justification lies in the fundamental base of the free market system, i.e. human greed.²

To change this situation, there is a need for a reversal of the development efforts, by decentralizing economic activity and growth to the areas where most people actually live. In Schumacher's (1973:61) words:-

In poor countries in particular there is no hope for the poor unless there is successful regional development, a development effort outside the capital city covering all the rural areas wherever people happen to be.

If this effort is not brought fourth, their only choice is either to remain in the miserable condition where they are or to migrate into the city where their condition will be even more miserable.

Chapter 3

PROUT: An Economic System with a Human Face

In these days when communism is dead, and free market policies are conquering the world, it is considered almost heretic and certainly “outdated” to voice any other view than that capitalism is the way to prosperity for all. But is it? In the last section, we found that the “success” of capitalism had a price, and that price was poverty. By its very nature, capitalism creates income disparities between rich countries and poor countries, and between the urban centres and rural areas, as wealth usually is drained from the poor to the rich centres. This was discussed in some detail in the last chapter, and we posed the question whether there was an alternative system that could provide all people with their needs.

The Progressive Utilization Theory

This section will expound on PROUT, the Progressive Utilization Theory, a fairly unknown theory given by the Indian scholar, the late P. R. Sarkar. This theory we believe is the most suitable alternative to replace free market policies. It is a practical economic theory, but with one difference. It has a human face. Its aim is to satisfy people’s needs, and not to maximize wealth concentration. It aims to maximize the utilization of resources, rather than to maximize profits.

3.1. The expanded Role of Economics

In the previous chapter, we found that present day economic theories tend to only classify as “economic” such projects and activities that tend to make the rich richer and the poor poorer. Schumacher (1973:34-35) in commenting on the limitation of economic theory writes:-

In the current vocabulary of condemnation there are few words as final and conclusive as the word “uneconomic”. If an activity has been branded as uneconomic, its right to existence is not merely questioned but energetically denied.

And he continues:-

What does it mean when we say something is uneconomic?... The answer to this question cannot be in doubt: something is uneconomic when it fails to earn an adequate profit in terms of money. The method of economics does not, and cannot, produce any other meaning. Numerous attempts have been made to obscure this fact, and they have caused a very great deal of confusion; but the fact remains. Society, or a group or an individual within society, may decide to hang on to an activity or asset for non-economic reasons social, aesthetic, moral or political — but this does in no way alter its uneconomic character. The judgment of economics, in other words, is an extremely fragmentary judgment; out of the large number of aspects which in real life have to be seen and judged together before a decision can be taken, economics supplies only one - whether a thing yields a money profit to those who undertake it or not.

This limitation in economic methodology, which e.g. favours capital intensive industries in urban centres at the expense of labour intensive schemes in rural areas, is the root cause of income disparities and poverty. After all, it is obviously much more profitable for an investor to establish a franchise of Coca Cola bottling company in the capital city, than to invest the same money in promoting the use of traction animals for small scale agriculture in rural areas. That the traction animal scheme would be more profitable for the country would be beside the point, as this profit would be spread out on many farmers, and would not greatly benefit the person who invested the money.

Sarkar solves this difficulty by expanding the scope of economics. He redefines economics and includes 4 clear parts, viz.:

- People's Economy
- General Economy
- Commercial Economy, and
- Psycho Economy.

With this expanded concept of economics, it is possible to accommodate many of the factors needed to make decisions on economic issues, and not solely concentrate on maximizing profit for the investor. Let us look at the different parts one by one.

3.1.1. People's Economy

For the purpose of this report, the most important addition to economic theory that Sarkar has given is the concept of People's Economy. This is the part of the economy that aims to provide the essential needs for people in general, and guaranteeing the provision of minimum requirements for all. This will be done by ensuring sufficient purchasing power to all individuals, and not through hand-outs or unemployment benefits. That is to say, all people should be guaranteed employment which will provide them sufficient income to secure them their minimum needs. This is a complete redirection of economic thought away from the present sole aim of economics to maximize profit. Naturally, even the people's economy must follow the rules of classical economic theory, and should not, apart from in exceptional circumstances, be run uneconomically. Its main aim however is to supply needs for people. Sarkar (1978bxii:16) writes:-

As people's economy will deal with minimum requirements and people's subsistence problems, it must take precedence over other parts of the economy. For example, if people have no food and are starving, it may be necessary to establish short term uneconomic industries to supply food. In normal conditions such industries would violate the logic of general economic principles and the principles of supply and demand.

But what type of activities falls under the scope of people's economy? Sarkar (1987bxii:17) elaborates it thus:-

People's economy should be concerned with the development of small-scale industries, both private and co-operative. Private industries would be limited in size and scope to prevent monopoly production and exploitation, and would be required to function as co-operatives once they grew too large. Co-operative industries are the best means of organizing people in an independent manner so that they take collective responsibility for their livelihood.

People's economy may deal with employment for all, the eradication of mass poverty, rural economy, the phase-wise socialization of land into the hands of those who work physically or intellectually for proper production, practical training programmes to impart specific skills to enable people to find employment in their immediate urban or rural locality, work placement, and the transportation, transshipment and loading and unloading of any materials, even if they are not economically viable. Another important aspect of people's economy may also be concerned with power, water and energy supply, as small-scale and cheap power and water production is essential if people are to have complete control over their economic lives.

As we can see, people's economy covers aspects such as rural development and encouragement of the information sector with an emphasis on artisans and agriculture, co-operative movements, skill training, water supply etc., all which are essential to improve the standard of living for the majority of people, particularly in the rural areas.

It is therefore within the framework of people's economy that the solution to the urban-rural conflict lies, as successful implementation a people's economy will ensure that a functioning decentralized economy capable of providing the basic needs of all people will exist in all parts of the concerned country. This means that various parts of the country will be more or less self-sufficient in basic needs, and the exodus to the urban areas will be halted, as people can make a living in the local areas. Once people's economy is firmly established, then more capital intensive industries can be gradually introduced, until the whole country is industrially advanced. But an emphasis on capital intensive commercial industry when the majority of people don't have their minimum requirements met, and the rural subsistence economy is poorly developed, gives rise to great inequilibrium within the economy of the country. This type of inequilibrium is very noticeable within the Togolese society.

3.1.2. General Economy

General economy, in Sarkar's classification, is the part that deals with different economic theories, such as free market, centrally planned economies, mixed economies, and PROUT, and it includes "mainstream economics that is taught in universities today". (Sarkar 1987bxii:21). It includes among other things population policies, macro economic planning, the banking system, infrastructure, development of co-operative organizations, tax structure, defence planning and expenditure, the national budget, and any other economic institutions organized on the national level.

3.1.3. Commercial Economy

As with general economy, what is contained in Sarkar's commercial economy is mostly well known to present economic thought:-

This part of the economy will develop scientific, efficient methods of production which will not incur loss, and where output will exceed input. The aim of commercial economy is maximum utilization and rational distribution of the resources of the universe. It includes the selection, production, and distribution of cash crops, inter-zonal and intra-zonal trade policies, export-import policies, rationalization of organized marketing systems, fixation of profit rates, cost accounting, licensing policies, technological transfer policies, technical quality control, management of balance of trade and payments, capital formation and loan policies, government intervention, monetary and fiscal policies, banking, capital supply, the barter system, the international monetary system, the organization of commerce, the planning of both agrico- and agro-industries, and non-agricultural industries (Sarkar 1987bxii: 20).

3.1.4. Psycho-Economy

The last, and most unorthodox, of Sarkar's divisions of economics, is Psycho-Economics. If people's economy expanded economic theory to include the provision of minimum requirements for all, then psycho-economy goes still further to include all intangible assets, such as moral, aesthetical, social, and cultural resources. It includes all aspects of economic life which directly affect the mental and spiritual development of the individual and groups of individuals.

Included in psycho-economics then, is the creation of proper work environments, workers' participation and control over production and distribution, economic independence for women, psychological and sociological dimensions of economic development, business ethics, and moral and ethical principles and practices for effective co-operative management. What all these things have in common is that they are more concerned with the psychological impact on people than on economical gain or supply of goods. For example, the mental well being of a person may be affected adversely from a poor working environment, though this may not necessarily affect the profitability or output. Likewise, economic independence for women is not only an economic issue, but a question of psychological emancipation of women not to need to depend on their male counterparts for their subsistence.

3.1.5. General Assessment

Realizing the novelty of his ideas, Sarkar (1987bxii:16) comments:-

Most economists today understand only a little of the principles of general economy, and something of commercial economy... People's economy and psycho-economy are totally unknown to modern economics, and as such could find no place in the present mode of economic thinking.

However, people's economy has an immediate application for the 77% of the world's population living in developing countries. If the principles of people's economy, i.e. the promotion of self sufficiency and guaranteeing minimum requirements for all people, are adopted as a valid part of economic theory, and more so, a part that will take precedence over commercial economics when a contradiction arises, then the solution of the problem of world poverty will only be a matter of time. Psycho-economics on the other hand, is more applicable to a developed economy, which has solved its fundamental problems of providing the basic needs to all its citizens. That means that as the economy develops, psycho-economics will take on an increasingly important role.

3.2. Decentralization and Block Level Planning

Then what practical suggestion does PROUT have to implement this people's economy, and to solve the two problems of disparities between rich and poor countries, and disparities between cities and rural areas? Let us start with the last conflict, that

between cities and country side. In third world countries, including Togo, the main problem is to provide the minimum necessities of life for the entire population, and this lies within the scope of people's economy.

Up to now, the reason that attempts to rural development has mostly failed is that the commercial economy is totally inadequate for developing the standard of living in the country side. What is good for the rich is not necessarily good for the poor. Any attempt to solve the problems of rural poverty with centralized capital intensive high-technology investment programmes are bound to fail miserably, and have consistently done so in the past. We have to try to take development out to the villages, and this cannot be done sitting isolated in the capital city making plans for the rest of the country. The real solution lies therefore in decentralized planning. Batra (1989:114) sums up the PROUTist view in this way:-

This type of planning involves the nation at all levels. It is a gradual, step-by-step process to take the country through various stages of economic development in such a way that the entire society participates in rising prosperity rather than a few sections or classes of people.

A few Third World nations have adopted models of centralized planning, but they have concentrated on urban development while neglecting the rural areas, which constitute the vast majority of these countries... This defect in development can be corrected only through decentralized planning.

3.2.1. Failure of centralized planning.

There are mainly 3 problems with the centralized planning process, viz.:

- Geo-sentiment, or the sentimental preference of planners for certain areas and places.
- Lack of detailed knowledge about local conditions.
- Lack of engagement of local people in planning.

3.2.1.1. Geo-sentiment

In Africa, and in many other parts of the world, planners are often influenced in their planning decisions due to personal attachments to certain areas or places. Caetanya (1990c:28) brings up an example of this from Nigeria:-

In Nigeria, an oil refinery was located in the North of the country, (where, by the way, the then Head of State came from) whereas all oil is found in the south. Oil went to the north to be refined, and then back to the south to be consumed. Economical nonsense, but extremely common in Africa. Sarkar calls this absurdity geo-sentiment or geo-economic sentiment. That means an economic decision not based on logic, but on a sentimental attachment or preference for a certain geographical area or region.

3.2.1.2. Lack of detailed knowledge and bureaucratic bottlenecks.

The second reason is that even where planners are not biased, they will have an incomplete understanding of the situation in the local area. Apart from this, with the planning taking place far away, the bureaucracy that is created tends to act very slowly and is therefore poorly equipped to respond to changing situations. From the time a need is being identified, until it has been channeled through the appropriate bureaucratic machinery and a proper plan or decision taken, it may have taken more than a year. To implement the decision, may take another year. However, if the planning is decentralized, the planners will always be well informed, and can swiftly respond to changing situations.

3.2.1.3. Lack of engagement of local people

The third problem with the centralized planning process, is that the local population is left out. Caetanya (1990c:28) identifies this as the greatest obstacle to success of centralized planning. He continues:-

It could be argued that people without prejudices, and with a full understanding of the areas to be planned could be found. But even in those cases, even when a realistic and good plan has been drawn up, it may not be possible to implement it as planned as the local people, who is to implement and live with the plan, may not co-operate. The reason for the lack of co-operation is very simple. People do not like to have ideas, even good ideas, imposed from above. Unless they have a say in the planning, they could possibly resent it.

On the other hand, even if the planning is slightly flawed, if the people themselves have taken part in formulating the plans, they will easily correct the flaws and work twice as hard to get them implemented.

3.2.2. Self-sufficient Socio-economic units.

To materialize this decentralization of planning, Sarkar (1987bxii:18) recommends the formation of self-sufficient socio-economic units, or samajes. He continues:-

These socio-economic units will work to enhance the all-round welfare of the people in their respective areas and unite all humanity on a common ideological bases. As such units become stronger and prosperous, they will merge with other units.

These samajes:-

should be formed on the basis of factors like common economic problems, uniformed economic resources and potentialities, ethnic similarities, common geographical features, and the sentimental legacy of the people, which arises out of common socio-cultural ties like language, cultural traits, etc. (Sarkar 1987bxii:10).

Every socio-economic unit can be made up of one or more socio-economic groups:-

In most cases each socio-economic group would form one socio-economic unit, but in some cases one unit may consist of more than one socio-economic group. (Sarkar 1988xv:30).

A socio-economic group consists of a collection of people who feel affinity for each other, and wish to move together. This can be out of historical, ethnic, linguistic, or any other reasons. To oppress such aspirations usually creates strong resentment, and narrow feelings such as tribalism arise. But if all groups get freedom to express their culture, language, and sentiments, and are allowed to harness their inner potentialities towards the economic upliftment of the entire socio-economic unit, then no negative affects will come out of such groups, as long as no group suppresses any other group.

Why would there occasionally be more than one socio-economic group in one socio-economic unit? Because each group that feel affinity to each other and wish to move together, may not be able to form a viable economic unit. Each socio-economic unit has to be economically viable, and have the potential to become economically self-sufficient.

In Africa, due to the colonial legacy, many national borders are drawn arbitrarily, with no concern whatsoever either for ethnic, historical, or linguistic realities, or for basic economic considerations. This means that both socio-economic groups and socio-economic units many times are divided between different countries which may have been ruled by different colonial masters. For the proper long term development of African countries, it is therefore necessary to increase the co-operation between different countries, so that these socio-economic units can be properly utilized. As each zone becomes more and more developed, two or more units can emerge, until finally the whole West African may become one unit.

Each socio-economic unit should prepare its own development plan, and for this factors such as natural resources, topography, river systems, cultural conditions, communications, industrial potential and development schemes should be considered. The plan could be made up by the people in the socio-economic unit themselves, as they are more conversant with the situation in their own area. But planning will not stop on this level.

Caetanya (1990c:31) writes:-

The planning process can be taken down even further. A certain socio-economic unit may have millions of people, and there cannot be a detailed economic plan made up by a handful of people in the Centre [of the socio-economic unit]. That would not be much better than having the central government [of the country] making up the plans. After the general economic situation has been assessed, the detailed planning should go down as far as to block level (a block in PROUTistic terminology being an area with approx. 100,000 people...)

3.2.3. Block-Level Planning

The block is the smallest unit of planning in a PROUT economy. Sarkar (1987bxii:39) writes:-

It is small enough for the planners to understand all the major and minor problems of the area; local leadership can come forward to solve the problems according to their priorities; planning will be more practical and effective and will give quick, positive results; local cultural bodies can play an active role in mobilizing human and material resources; the unemployment problem will easily be solved; the purchasing capacity of the village people will be enhanced, and a base for a balanced economy will be established.

In Togo, the approximate equivalent to a block in PROUTist planning is a prefecture.

3.2.4. Levels of Decentralized Planning

The process of decentralized planning will take place on several levels, with the national levels being the highest, and the block level being the lowest. (see 4.2.)

3.3. Aims and Guidelines for Decentralized Planning

3.3.1. Aims

The first and foremost aim of decentralized planning is to provide cent per cent employment to the active population. In a 'top-down' model of development this is an impossibility, but in a decentralized system of development or 'bottom-up' development, it is clearly possible. In a PROUTist economy, Sarkar claims, people will not be searching jobs, but jobs will be searching for people.

Secondly, a decentralized planning system will prevent the drainage of wealth from the rural areas to the cities. In the growth pole concept only the major cities were developed, and all other areas become under-developed. A drainage of wealth is therefore taking place from the surrounding areas to the developing growth poles. These growth poles become parasitic, (Unwin 1989, Santes, Lipton, etc.), and exploit the surrounding areas. This can never happen in 'bottom-up' development, as the development starts in the local areas and then expand upwards. This local development is the third aim of a decentralized planning system.

Fourthly, decentralized planning aims towards a total involvement of the local population in the development efforts. In the centralized planning system most people are simply spectators, but in decentralized planning, everyone is an actor.

3.3.2. Guidelines for Planning

For successful economic planning, there are certain points that planning bodies must consider while preparing their plans. They are as follows:

3.3.2.1. Cost of Production

On this point, Sarkar (1987bxii:35) writes:-

It is a traditional practice in rural economies that the farmers, with their family members, work in the fields and produce crops. At the time of fixing the price of the crops they produce, they do not calculate how much labour was engaged in the cultivation. They do not pay wages to their family members, nor do they count the expenses incurred in cultivating their own lands, or the cost of the machines or tools they use in the fields. So they fail to scientifically calculate the real costs of the per unit production. Thus they incur losses and perpetually get low prices.

To determine the cost of the unit production of agricultural commodities correctly, this sector of the economy must be reorganized and established on the same bases as industry through the co-operative system. According to PROUT, agriculture should be treated as an organized industry. Only then will the per unit cost of production be scientifically determined and the poverty of farmers end. They will get proper prices and stability in the agricultural sector will be achieved.

This means that in decentralized economic planning, proper scientific methods for calculating the real costs should be introduced even on the smallest level. This will make even small scale operations run in an effective and businesslike manner. If the cost of production turns out to be higher than the market value of the commodity produced, then ways to cut costs have to be found, as each unit must be commercially viable.

3.3.2.2. Productivity

The value of money lies in its utilization. Therefore, money must be made to role and be rein vested. It should never be allowed to sit stagnant and unutilized.

With this in view, the planners should organize the PROUT economy in such a way that,

1. production is maximized, based on consumption motives and full employment policy,
2. no productive unit is being under-utilized, and
3. maximum productive capacity should provide opportunities for re-investment, increased capital and fixed capital formation, more employment, and a general expansion of the economy.

3.3.2.3. Purchasing Capacity

When measuring the wealth of the people in a country, it is common practice to measure the per capita income, such as the GNP per capita. Indeed, we have made use of the method in this report also. However, it is a very poor measure of the actual standard of living of the people. The fact is that most people are much poorer than the GNP per capita makes us believe, because a minority of really rich on the top tilts the scale.

Therefore, in PROUTistic planning, purchasing capacity is much more important than per capita income, and PROUT advocates that the measurement of the economic standard of the people should be its purchasing capacity.

To ensure the purchasing capacity of the people, the following requirements should be taken into account by the planners,

1. There must be availability of commodities according to the collective need,
2. Price levels should remain stable, without inflation,
3. There must be progressive periodic increases in wages and salaries, and
4. The collective wealth must be increased.

3.3.2.4. Collective Necessity

Before embarking on any planning, the collective needs of the area under planning must be assessed. If, for example, a big drive for industrialization is started, and no provisions are made for an increase in the electricity supply, then the whole effort will be a waste of money and will end up in failure. There are many factories in Togo and elsewhere that eventually had to close down due to poor feasibility studies which did not take into the account the supply of raw materials, or planned for outlets for the finished goods.

Before any plans are being implemented, the collected needs of the area have to be taken into account, and the plans made in such a way that these needs are properly considered.

3.3.3. Balanced Development (Prama')

In all societies there need to be a proper balance, or what Sarkar calls Prama'. The president of the International Institute for Environment and Development, Mr. Brian Walker, comments that, "Balance is the real issue - not growth alone," and puts the rhetorical question, "How do we secure the latter within the former?" (Harrison 1987:11)

According to Sarkar, equi-pose and balance can only be maintained in the physical sphere if the following factors are adhered to, viz:-

1. The physical demands of the day and the physical demands of the foreseeable future are assessed and organized,
2. The physical supply of the day and the physical supply of the foreseeable future are assessed and organized
3. The land is maximally utilized, and
4. Socio-economic development occur according to the five fundamental principles of PROUT. (see 3.12.)

3.3.4. Practical Implementation

In the first stage of the implementation programme, most rural areas will be poorly developed, with little economic activity, low levels of technology, and a high dependence on outside areas. In order to rapidly improve the situation and move towards a PROUT economy, the following measures, among others, may be adopted.

3.3.4.1. Labour Intensive Road Construction

If the area is impoverished, in the first stage money should be pumped into the area. This could be done, for example, by constructing rural feeder roads by highly labour intensive methods to areas of fertile land (which have not previously been utilized due to lack of infrastructure). These feeder roads could be paid for by a special development funds set up by the government, or funding agencies such as UNDP or the World Bank.

3.3.4.2. Cultivation of New Land

Once new feeder roads have been developed, the new land areas that have been opened up should be cultivated. To allow the money invested in the road construction to circulate within the local area, it is good if part of the money gained from the road construction is reinvested into this venture. Labourers may get paid for part of their work in land allocations in the new areas being opened up.

As far as possible, inputs for the agricultural sector should be obtained locally, to avoid a drainage of funds out of the villages to the cities. This could also open up new employment opportunities.

3.3.4.3. Cottage Industry and Intermediate Technology.

As far as possible, the local areas should make themselves self-sufficient in their basic needs, to prevent a drainage of wealth from the area into the developed cities. According to the condition, planning should in the first phase concentrate on labour intensive schemes to provide food, clothing, housing, and other essential commodities.

The emphasis here is on the word 'labour-intensive'. This does not mean that no technology or outdated technology should be used. What it means is that the technology should be appropriate to the situation. Where capital is scarce, and labour is abundant, the technology must be cheap, locally available, and geared towards increasing the productivity of the workers, and not to replace them with some huge hyper-effective machines.

Schumacher (1973:128) comments:-

The system of mass production, based on sophisticated, highly capital intensive, high energy-input dependent, and human labour-saving technology, presuppose that you are already rich, for a great deal of capital investment is needed to establish one single work place. The system of production by the masses mobilizes the priceless resources which are possessed by all human beings, their clever brain and skillful hands, and supporting them with first-class tools... The technology of production by the masses, making use of the best of modern technology and experience, is conducive to decentralization, compatible with the laws of ecology, gentle in the use of scarce resources, and designed to serve the human persons instead of making him the servant of machines. I have named it intermediate technology to signify that it is vastly superior to the primitive technology of bygone ages, but at the same time much simpler, cheaper and freer than the super-technology of the rich. One can also call it self-help technology, or democratic or people's technology - a technology to which everybody can gain admittance and which is not reserved to those who are already rich and powerful.

Therefore, one of the first priorities of block-level planners would be to identify the local raw materials and resources, and suggest labour intensive cottage industries to utilize these resources and turn them into wealth.

Is not this technology, even if it is cheaper, beyond the means of most rural areas? No, the problem does not essentially concern money, but people.

When education, organization, discipline and morality breaks down, the economy will collapse no matter how much money is pumped into it. We have to realize that human beings are the source of all wealth. It is with human labour we produce goods and even print money. All economic development starts with people. To harness these human resources, we need education, organization, discipline, and morality.

Money alone can therefore not solve the problem of underdevelopment. Rather, excess income works against the poor, as it tends to accumulate with a rich elite. As Schumacher (1973:164) says:

Money alone does not do the trick. The quantitative aspect is quite secondary to the qualitative aspect. If the policy is wrong, money will not make it right; and if the policy is right, money may not, in fact, present and unduly difficult problem.

Why is money not the main problem? Because, more than material goods people need to learn how to help themselves, and that may not cost so much money. \$5,000 we may be able to set up a capital intensive work place for one person. For \$200 we may be able to provide one person with the tools to produce goods. But if the same \$200 is invested in education, maybe we can teach one hundred people how to equip themselves.

Of course, still in many cases some additional help may be needed in terms of material goods supplied by the central government, UN agencies, or NGOs, but this should be seen more as 'pump priming' to speed up the initial stages. The main purpose of these initial programmes, along with the appropriate training, should be to create multiplier effects, i.e. other people and areas should be able to copy the programmes.

3.3.4.4. Capital Intensive Industries.

When people's economy is developed, i.e. when employment opportunities abound, and each area is economically self sufficient, then, and only then, should capital intensive industries gradually be introduced. If capital intensive technologies are introduced earlier, then we will fall back into the trap of the growth pole concept, and a few areas, those with the capital intensive industries, will be developed while surrounding areas will be drained of their resources and fall into underdevelopment and poverty. Also, the establishment of capital intensive industries requires by definition much capital, and at the initial stage when capital is scarce, this means that valuable resources will be drained away from areas where employment opportunities could be created.

3.4. Ownership and Organization of the Economy

But how will this decentralized people's economy and the other parts of the economy be organized? If the economy is decentralized, who will own the means of production?

PROUT favours a decentralized economy, and a decentralized system of ownership. It rejects the communist concept of denying private ownership in favour of state ownership, as the state can never be a custodian of the people. But it is equally critical of the excessive wealth concentration generated by the capitalist system, as witnessed by the polarization of wealth between rich and poor countries, and the town-rural conflict discussed in last chapter.

The main part of this PROUTist system of decentralized ownership lies in a co-operative system, where the workers are also part- owners of the business they work in.

3.4.1. Agricultural Co-operatives

3.4.1.1. Formation

Generally in Africa, most farmers are small holders with just a few acres of land. This is usually farmed by the local family and with the simplest of tools. The land is generally too small to be farmed economically, and thus the land is giving a poor return. There are also difficulties for small farmers to get credit, as they have no collateral. If several farmers got together to form a co-operative, their collective land holding would be big enough to be efficiently cultivated, and it would be much easier for them to get credit from the banks. However, farmers are generally very attached to their land. Sarkar (1988xiv:41) writes:-

Land is very important in the psychology of farmers for they are very attached to their land. Farmers might give away hundreds of kilos of produce, but they would never voluntarily give away even a few square meters of their land. Suppose many small farmers own a total of 200 acres. If they form a co-operative and keep a record of their shares based on the size of their individual holdings, a sense of ownership is maintained. If all the land is on the same level then the boundaries between the small plots can be broken down, increasing the area of land. In such a system the psychology of the farmer will not be affected and they will not feel any insecurity.

It is therefore essential that any attempt to introduce a co-operative system in the rural areas must take into consideration the sentiments of the farmers. This lack of sensitivity, or unpsychological imposition from above, is the main reason for the failure of co-operatives in the past. When the farmers themselves have been motivated and have understood what they are doing, the co-operative experiments have generally done well. Therefore, in a PROUTistic system, maximum efforts have to be put into popularization programmes, and the rural people have to realize the necessity and the gain they can get from joining a co-operative.

3.4.1.2. Autonomy

Another important aspect is that farmers in a co-operative should be allowed to themselves determine what they want to grow, and at what prices they want to sell their produce. In centrally planned economies, co-operatives are generally directed from the top, with a minimum chance for the individual co-operatives to determine their own activities. But people will never be happy as long as they are forced to follow central directives, directives that many times are unsuitable for the local conditions. Therefore, with such regimentation and central interference in economic activities, there is sure to be stagnancy and low productivity.

3.4.1.3. Profit Sharing

The profit from the farming co-operative should be divided in two parts. Half of it should be distributed according to land holdings, and the other half according to the labour put in by different members, whether this labour was manual (working the fields) or intellectual (keeping accounts or negotiating loans with the banks). This means that a member who might be old and cannot work much, will still get a part of the profit from the land contribution he made, and a non-landowning member will only share in the part which is distributed according to work done.

It is essential that part of the profit should be retained for investment in next year's season. Also, the salaries and profit sharing may not be solely in cash, but could be distributed also in food and other goods.

3.4.1.4. Marketing

To avoid that middle men take all the profit by buying up the food cheaply and selling it very expensively in the cities, it is desirable that farmers also organize themselves into marketing co-operatives to market their goods themselves. For this purpose, 5 - 10 farmers' co-operatives could join to form one big marketing co-operative to market all their produce.

3.4.1.5. Management of Agricultural Co-operatives

Agriculture should be managed just as efficiently as industries. However, at the present time this is far from the case. For example, usually farmers sell their goods cheap, because they don't include the hidden costs when they calculate the prices. (Sometimes they are forced by outer circumstances to sell their crops below a fair price). In setting prices for their produce, farmers should take into account the labour done by family members, which now usually is considered "free" (3.3.2.1.). As agriculture is the backbone of the economy, intense research should be done into all aspects of it, with special emphasis on soil conservation, developing chemical fertilizers that do not deplete the soil, or to find alternative organic methods to increase crop yields without the use of chemical fertilizers. (see also 3.5).

So in research, management, product development, cost accounting etc., agriculture should be modeled after industry. This cannot be done with many small subsistence farmers working on their own, and needs a co-operative system to implement. It is therefore necessary that all the small farmers group themselves into co-operatives, get the proper intermediate technology, and acquire the necessary management skills. If not, they will continue to be underpaid and live on a subsistence income, while others will benefit from their labour.

3.4.1.6. Promoting Agricultural Co-operatives

But how will we be able to encourage farmers to form co-operatives? By passing decrees and forcing them to join, we will never create successful co-operatives. The output from such forcefully created "co-operative" will definitely be even worse than if each farmer was working for himself.

The key lies in creating successful models which will inspire other farmers to imitate. If spread throughout the country a few successful co-operatives could be started, and living-standards of its members improve, many other people will wish to follow. But for this, the initiative has to come from below, not from above, and thus the proper ideological climate has to be created, with an increased awareness and an increased understanding among the peasants.

As a first step, one could try to build on the old African tradition of co-operation in the villages. In one system, a group of villagers in turn help each other to plough, plant, and harvest each other's fields. This type of co-operation could eventually lead to the consolidation of land ownership into one co-operative land unit.

Thus the implementation of the co-operative system and the people's economy in the rural area is largely an educational effort, to improve skills, organization, discipline and morality.

3.4.2. Agrico and Agro Industries

In a PROUT economy, not more than between 30% and 40% of the population should directly depend on Agriculture. With the development of agricultural co-operatives and the improvement of agricultural methods, there will be a natural movement of labour away from the agricultural sector. In Togo more than 70% of the active population are farmers, so a lot people will have to be absorbed in other forms of employment. A large number of those can directly be channalize towards agrico and agro industries, i.e. industries that provide inputs for the agricultural sector, and industries that process agricultural products.

3.4.2.1. Agrico-industries

With an introduction of intermediate technology solutions in agriculture, there is great scope to locally manufacture simple effective tools to help farmers in their activities. These could be set up as co-operatives that manufactured the needed tools. In each socio-economic unit, at least a few such tool and equipment making industries could be started. On the block level, skilled forgers and blacksmiths could set up shops to maintain and repair the tools that gets broken. Also artisan mechanics that could repair simple machines like pumps and agricultural implements would be in demand. With highly capital intensive farm inputs on the other hand, like tractors and combined harvesters, the machines invariable are imported from abroad, and spare parts and expertise are not available locally. With appropriate intermediate technology, work will be provided for both those who make the tools, and for those who can repair and maintain them. While the agrico-industries that makes implements, fertilizers and so on may be run in a co-operative fashion, the artisans in the villagers could run as private business.

3.4.2.2. Agro-Industries

With the increased production of agricultural goods there will also be more employment opportunities in agro-industries. At the moment, a large portion of all food produced in Africa is destroyed due to poor storage and processing facilities. Using intermediate technology, a large number of labour-intensive agro- industries for processing and preserving food can be established. This could range from small scale operations in each village, such as smoking fish, drying okro, processing gari, etc., to bigger establishments like a factory for making tomato paste.

It is of special importance to process highly perishable items, like fruit, tomatoes, and fresh vegetables.

In establishing these industries, improved versions of traditional techniques as well as imported intermediate technology solutions should be utilized. It is important to intensify local research in this field. As far as possible the inputs should be obtainable locally, and expensive machinery and labour saving equipment should not be imported in the first phase, if this can be avoided.

3.4.3. Balanced Economy

As we mentioned earlier, not more than 30-40% of the active population should be directly engaged in agriculture. PROUT recommends that another 10-20% of the population becomes involved in Agro related industries, and 10-20% in Agrico-industries. This means that ideally 20-40% of the population becomes involved in Agric related industries and the same percentage is dependent directly on agriculture for their upkeep. As the country becomes more industrially advanced, the percentage of people dependent on agric related industries will come down, and more and more people be involved in other industries, including the service industry. The percentage involve in Trade and Commerce should be kept to 10%, and those in administration and planning also to 10%.

An economy that follows this distribution pattern, Sarkar calls a "balanced economy". The importance of a balanced economy lies in the fact that if there is little industrialization, and most people live on agriculture, there will be unemployment and a very low standard of living. If there is hardly any agriculture and very heavy industrialization, then the area will suffer from excessive urbanization, migrant labour, over crowded cities with shanty towns, and urban poverty. None of the wealth created by this type of industrialization is enjoyed by the common people, who often live and work under appalling conditions.

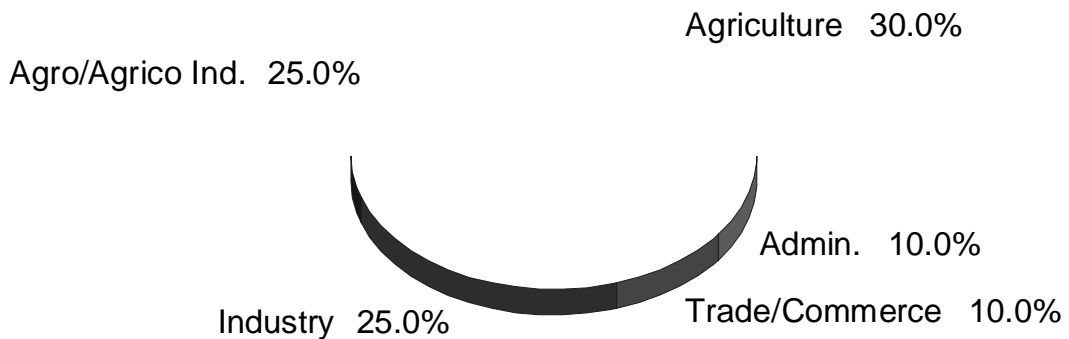
So initially the reliance on agriculture will be more, and later the dependence on industry will increase. But the amount of people depending on agriculture should not be allowed to fall much below 30% if the economy should remain balanced (see graph 4 and 5).

3.4.4. Industrial Development

3.4.4.1. Utilizing Raw Materials

According to PROUT, industrial development must be based on locally available raw-materials. In Africa, this is generally not the case as local raw-materials are often exported to industrialized countries for processing. This has certain disadvantages.

- First of all, prices on raw materials fluctuate wildly, and during the last 10 years the price index for most raw-materials has deteriorated steadily. Sometimes prices fall so deeply that producers hardly cover the cost of production. This fluctuation of prices is detrimental to economic planning and causes great hardships on the



Balanced Economy

Graph 4: (above) An Example of Balanced Economy.

Percentage of Active Population Involved in Various Sectors.

Graph 5: (below) Comparison With the Actual Situation in Togo.

Agriculture



Togo

exporting countries. This happened in Togo when the phosphate prices fell in the late 1970s. On the other hand, the prices of finished goods are generally quite stable, even when the price of raw-materials fluctuate.

- Secondly, if raw materials are exported without processing, you miss the opportunity to get the full value added from the processed goods. Finished goods have much higher mark-up than raw materials.

Therefore, if a country keeps on exporting raw materials (which have a low value added) and imports finished goods (with a high value added), its balance of trade gets distorted, and Balance of Payment difficulties arise. Processing of raw materials also creates vast employment opportunities.

3.4.4.2. Importing Raw Materials

We have also the question of the importation of raw materials. Some African countries export their own raw materials unprocessed while importing foreign raw materials to feed their local industries. That is to say, their industry is completely built on materials that are not locally available. This strange policy was based on the concept of import substitution. Caetanya (1990a:10) comments on this policy in Ghana:

Since independence Ghana followed an industrial policy of import substitution. The products so produced to substitute imports were always more expensive than imported ones. Not only that. They often resulted in a net loss of foreign exchange. The reason for this is that almost all the inputs were imported.

In PROUT the emphasis is not on substituting imports with products made from imported raw materials. This does not make sense, especially if it turns out more expensive. After all, we would still be equally dependent on imports, wouldn't we? The emphasis should therefore be on developing an industrial base that uses local raw materials, and which tries to increase the value of products before they are exported.

So to import raw materials for making local consumer goods is rarely economical. Rather, the same resources could be put into industries using local raw materials to increase its value added before export.

Importing raw materials could be profitable when the finished goods are exported. This is the case with Japan and other industrial nations. But if a global system develops where each country utilizes its own raw materials, countries like Japan would find it increasingly hard to get unlimited supplies of raw materials at low cost, as the case is now. As long as some countries export their raw materials and import finished goods, and other countries import raw materials and export finished goods, we will always have a divide between rich and poor countries.

3.4.5. Ownership of Business and Industry

3.4.5.1. Public Sector

First of all, a word of caution regarding state enterprises. Usually these are inefficient and wasteful. (Schumacher (1973:225) puts it this way:-

It is dangerous to mix business and politics. Such a mixing normally produces inefficient business and corrupt politics.

We can see countless examples in Africa where corrupt politicians and government officials have for personal gain interfered with the planning, implementation, and running of state corporations with disastrous results for both the company and the finances of the state.

Secondly, state-corporations are usually excessively centralized. When the government directly is controlling all enterprises, they get bogged down in bureaucracy and inefficiency. For these reasons there is now a worldwide trend towards privatization.

In spite of these drawbacks of state enterprises, there is one factor that speaks in their favour. It is advisable that the government retains control over those factors of production, which are of strategic importance to the national economy. This would include most primary resources, such as power, steel, fertilizers, cement etc., which, if they fell into wrong hands,

could be used to put the whole society at ransom. For this reason, we will have to retain state enterprises, but certain precautions must be taken to minimize the negative aspects usually connected with government enterprises.

The first recommendation is that the central government should not in any way be engaged with running of businesses and industries. This should be left to state governments (or other immediate governments in case the country is not a federal republic). Furthermore, even the state governments should not directly be engaged in the management and running of these enterprise. Instead, they should be run by boards which are completely autonomous from the state government. There must be careful guidelines as to how far any government organ, person, or other political institution can influence the business and the decisions of the management board. This is particularly important with regard to appointments and removals of board members, etc.

Secondly, these industries should be run on a no-profit no-loss basis. This means that they should only retain enough profit for the replacement of depreciation of fixed capital, and for further expansion as the need may be. No profit should be diverted from the enterprise to fund government activities.

This aspect is crucial if government should be kept from interfering with the enterprises. As long as the state keeps a financial interest in the corporation, there will always be an irresistible temptation to interfere. Instead state corporations should, just as private and co-operative enterprises, pay excise duties and Value Added Tax (VAT) on the goods they produce.

In all respects, state enterprises should be run as efficiently as private industries. The managers should be encouraged by incentives according to the output and operations of the enterprise, and should be replaced if wastefulness or uneconomic practices are pursued.

3.4.5.2. Large and Medium Size Industries

Around the key industries, which will provide basic raw materials, a series of secondary industries should be created. For example, a key industry could be the production of yarn from cotton. Around this, many textile industries could be established. These would be smaller units than the key industry and could be run on a co-operative basis. From the cloth produced in these mills, clothing industries can be established. Both larger co-operative managed firms, and small-scale private operations on the village level. In this way, key industries become main generators of economic activity in the country. If, on other hand, raw materials are exported directly, then both money and employment opportunities are lost.

3.4.5.3. Three Tier Industrial Policy

We can now conclude that PROUT's industrial policy advocates three levels, viz:

1. Key industries owned by the state.
2. Co-operative, and
3. Private enterprise.

In general, key industries are large capital intensive projects that provide intermediate goods for other industries. All industries that produce vital basic goods which the country cannot survive without, e.g. energy, and water, should fall into this category. Other capital intensive industries which produce intermediate goods, like steel, can also be included according to the situation.

Large and medium scale industries should be run as co-operatives while the private sector should preferably be limited to small scale activities involving the owner and a limited number of workers.

3.4.5.4. A Discussion on Private Vs. Co-operative Ownership

Though it will not be appropriate to lay down fixed rules as to the maximum size to which a private company should be allowed to grow before it has to be restructured as a co-operative (this will have to be decided according to the specific situations and change from time to time as conditions may require), we would still venture to put forward some fundamental guidelines about private ownership from a PROUT perspective. Schumacher (1973:220) distinguishes between:

- a. property that is an aid to creative work, and

b. property that is an alternative to it.

The first type of property, he argues, is healthy, and the second type is unnatural and unhealthy. He goes on to quote Tawney (1973:220):-

For it is not private ownership, but private ownership divorced from work, which is corrupting to the principle of industry.

As long as a company is small, even an autocratic rule by one owner may not necessarily be bad, as the company will be run almost as a family business, and its social impact in the community is negligible. It will be small scale, personal and local, and the owner will invariably be actively working in the business. Private ownership here becomes just and fruitful.

When the business grows to medium size, it becomes an important social fact in the local community, and maybe even beyond. Ownership becomes more impersonal. Profits acquired can no longer be said to be the achievement of one man alone, and therefore it becomes just that the profits so earned should somehow be share rationally between all those who contribute to the success of the business.

Here a co-operative ownership, with workers and managers acquiring shares in the company, becomes just. This will also avoid the owner/worker conflict, as all those who work in the business also are part owners of sort. In case of economic crises, they will therefore work harder to save their company, instead of pressing for unrealistic demands and engaging in disruptive strikes.

In large scale enterprises, the owners usually do not run their businesses. They employ professional managers, and become functionless with no directive involvement whatsoever. They are simply earning huge amounts of money on the labour of others.

This situation is decidedly unhealthy, and these corporations should in the long term be converted into co-operative structures, where each employee will acquire shares according to his contribution to the business. As the contribution may not be equal, the shares should not be distributed equally, but rationally.

3.4.5.5. Implementation of Ownership Scheme

Any change in the economic system of a country must be gradual or else it may cause disruption that sets back economic progress for many years. Likewise, the ownership policies of PROUT are to be gradually introduced. A first way to move towards a co-operative system of large and medium size industries, could be to compulsorily introduce a system of profit sharing and stock ownership by employees in major industries. This could later on develop into more extensive forms of co-ownership.

However, as a long term goal we have to aim at decentralizing concentrations of wealth, if we wish for a healthy development of the economy and the society as a whole.

3.5. Ecology

As we remarked (1.9) industrial pollution is not the most serious ecological problem in Africa. Neither is the destruction of ozone nor cars. Industrial production makes up a very small proportion of the economy, and except in big cities like Lagos, cars are generally not such a problem.

The real dangers to Africa's environment is soil erosion, desertification, and the destruction of forests. This is a major problem, which in some places have reached crisis proportions. The fundamental cause is the rapid destruction of forests and vegetation cover, which allows the soil to be washed away in the torrential rains.

The solution to this particular environmental problem lies not in expensive technology, like in the case of the chloro-fluoro-carbons. What is needed is education of the farmers, and adoption of new techniques of soil conservation.

Therefore, the solution to Africa's ecological problems, from a PROUT perspective, do not lie in any new special ecological policies, but is inherited in PROUT's general agricultural policy (5.2.4.2.). As opposed to industrial pollution, where a reduction in pollution will mean an increased cost of production, a reduction of soil erosion will cause greater yields and greater returns from the peasant farmers.

Introduction of proper farming techniques and intermediate technology such as reforestation drives, terracing, inter-cropping, trash lines, grassed strips, water harvesting, agro-forestry, and proper live-stock management, will solve Africa's ecological problems. However any attempt to large scale mechanized farming European style could have disastrous effects on the fragile ecological system in Africa, and speed up the environmental destruction manifold.

3.6. Education

There is in most developing countries, a discrepancy between the educational system and the needs of the labour market. Regarding the lack of educated youth in agriculture. Sarkar (1978:26) writes:

The sons of rural peasants, having had a little education, are no longer willing to labour in the fields ... They consider manual labour in agriculture as inferior work. As a consequence, on one the hand there is a dearth of educated youth in agriculture, and on the other hand an increasing number of people from other vocations are turning towards agriculture. In the rural areas the percentage of the population depending primarily on agriculture has gone up to 70-80%. What an unbearable situation.

One reason for this is that the education system mainly prepares people for white collar jobs, which only a small percentage can get.

In PROUT, the educational system will therefore be adjusted to the demands of the labour market and the needs of the people. It favours a complete system of education, that prepares everyone physically, mentally, morally, and spiritually for our roles in life. But this educational system must provide agriculturalists, tailors, artisans, skilled labour, engineers, and so on in rational numbers, and not, like is the case in most Third World countries, prepare over 70% of the population for white collar jobs that are available for maybe only 3% of the population. This requires a restructuring of education, with an emphasis in self reliance, appropriate technology, and management of co-operatives and small businesses.

3.7. Maximum and Minimum Wage

In a PROUT economy, all persons should be guaranteed a minimum wage that should be enough to meet basic needs. However, there should also be a maximum wage, that could be maybe 10 times the minimum wage. This should be compared with the USA, where the maximum wage is approximately 1,800 times the minimum wage, and India, where it is around 2,000 times (Batra, 1989:63). In Togo, minimum wage is 13, 757 F CFA per month, while the salary of a bank manager is 232, 520 F CFA, which is about 17 times higher.

3.8. Tax Reform

One of the major difficulties with income tax, is that it is very difficult to judge how much persons earn. Tax evasion is rampant in any society which taxes income. This means that financial transactions are hidden and the black market grows. According to certain studies, in some countries black income may reach as high as 50% of the recorded income. Other studies estimate less, but the fact is that the black economy is very big (Batra, 1989:6).

One of the major reasons for black money is that people want to avoid taxes. For this reasons, PROUT suggest that income tax should be abolished, and all tax should be collected from VAT, excise duties etc.

Income tax had usually been used as a tool for redistributing income. Usually these attempts have been quite ineffectual, mainly because so much income is not declared. With the maximum and minimum wage policy of PROUT, taxation as a redistributive tool will not be needed.

3.9. Banking, Credit, and Fiscal Policies

The value of money lies in its utilization. Therefore, the most fundamental policy as regards to money and finance, is that money has to be kept rolling. The moment money is kept stagnant, or is invested in unproductive ventures, it loses its value.

Usually rich people when they find that they cannot get sufficient return on their investment capital when putting it into some productive venture, prefer not to invest the money at all and let it sit idle. Or alternatively, they use it for speculation on the stock market, or to finance take-over bids. These activities are not real productive investments as they do not create any wealth. They just tie up huge amounts of money in overvalued stock, which in no way contribute to the expansion or in-

creased productivity of the companies concerned. Because more and more money is tied up in this way, the economy gets stagnant, recession looms, and the prices fall on stock markets, wiping out billions and billions of dollars that could have been used for productive ventures. During one day on Black Monday in 1987, amounts equalling the total debt of all Third World countries were lost over night.

In a PROUT economy, money should be kept utilized in productive ventures. Therefore, as a banking policy, money will not be lent for investment in stocks or take-over bids. Loans should be given to people actively engaged in productive sectors, like agriculture. But even here, it is proper to analyze each project to see what is viable, and falls within the framework of the overall PROUTist planning for the area. For example, it will be far more productive to lend money to farmers to procure cheap intermediate technology for their farms, than to spend big money to finance westernized state farms with capital intensive inappropriate technology which will be hard to maintain and will ruin the fragile ecological system in Africa. (3.5.) To help farmers to acquire credit, it is good to encourage them to form co-operatives. Saving and Loan associations among farmers, as well as rural co-operative banks, are also recommended.

Naturally, sometimes capital intensive projects may also have to be established, in particular if it will provide raw materials for other industries. In this case, loans are justified, but the feasibility studies must be thorough, and done by independent experts, to make sure that the project is viable.

With regards to fiscal measures, PROUT recommends prudent management, a balanced budget, and non-inflationary policies. Deficit financing should be kept to a minimum, and the increase in money supply should not exceed the rate of growth of the economy. Interest rates should be kept low.

3.10. Debt Crisis

3.10.1. Background to the Crisis

As much as 87% of all goods exported from Africa in 1982 was primary resources, mostly agricultural goods. Prices for these commodities have been consistently unstable and prices on goods like sugar and vegetables have fallen drastically due to European farm subsidies. At the same time, the costs of manufactured goods have been going up, and so the terms of trade have worsened for African countries.

In the mid-1970s, there was a brief commodity boom. Prices on minerals and cash crops suddenly went very high, and brought in much welcome foreign exchange. Counting on the continued high prices of their exports, many African countries embarked on ambitious investment programmes. When the prices suddenly dropped, they believed that the fall was just a temporary set back, and that if they could borrow money on the international market to sustain the present level of spending, they could pay back when the prices came back up.

In this they were encouraged by the international commercial banks, who were in dire need to lend out money. In the early 80's after the second oil crisis, European and American banks become flooded by money from oil-producing nations which represented the unbudgeted income these countries had received as a result of the increase in oil prices.

These so called "petro-dollars" were deposited in banks, and the banks had to pay interest on the money so deposited. In order not to lose money, they therefore had to find people to lend it to. As the world was in recession and it was hard to find traditional customers, the eyes of the bankers fell on Third World countries. Consequently, bankers started to travel around the world, literally pushing loans on governments that were not even eager to take them. The bankers actually looked much like vendors of vacuum cleaners or used car salesmen, desperate to sell loans at any cost.

Stuck with huge loans that were used to finance unviable projects, and with commodity prices remaining low, most countries started to have big difficulties even to service the interest on their debts. Financial markets, who up to the early 80s had supplied a net inflow of capital to Africa, started to take out more money than they put in, so by 1984 there was, in fact, a net outflow of money from Africa.

3.10.2. Possible Solutions

Then what solutions are there to the debt crises in Africa? Well, no amount of policies within a particular country can completely solve the situation. Prudent policies can merely contain the situation, but not eradicate the problem (5.5.). For a solution, an international approach to the problem has to be adopted. Let us look at a few possible ones.

3.10.2.1. Historical Perspectives

The problem of indebted states is not new. Just after the civil war in the USA, many states and municipalities borrowed heavily. Within a decade, many of them had fallen deeply in debt, and had to borrow money just to pay the interest on the existing loans. (Sounds familiar?) Final result? The states eventually openly defaulted, and the money was never paid back. 60 years later, Latin American countries found themselves in a similar problem. In the end they also defaulted, and after a few years of credit squeeze, were accepted back in international banking circles.

Looking at the new debt crises from this point of view, history seems to be on the side of the indebted nations. After all, you cannot squeeze water from a stone. If it is impossible for the indebted to pay, the debtors will not get paid. That is after all one of the accepted risks of lending money.

What makes the present debt crisis different from previous ones are mainly two factors.

First, the unprecedented scale of the lending. The total external debt of third world countries is now estimated to over one trillion dollars. (US\$10¹²).

Secondly, the involvement of private commercial banks. Before the Second World War, only major merchant banks, like Lloyd's of London and the House of Rothschilds, used to lend money to states. These were professional risk takers, and if the loans went bad, only a group of extremely rich professionals had to take the brunt. When commercial banks are involved, it is not the money of the banks that are at stake, but the money of hundreds of thousands of their depositors, who may not be rich. As commercial banks are so closely linked with the international banking system, the failure of a few major banks could jeopardize the entire international network of financial institutions, with unprecedented catastrophic consequences.

Thirdly, we have the immense power that the debtors wield today. Because all the banks are linked in an international network, collectively they have an immense bargaining power. In 1983 Mr. R. T. McNamar, then Deputy Secretary of the Treasury, commented on some of the options the banks may exercise in case of a repudiation (McNamar, 1983):

The foreign assets of a country that repudiates its debt would be attached by creditors throughout the world; its exports seized by creditors at each dock where they landed; its national airlines unable to operate; and its sources of desperately needed capital goods and spare parts virtually eliminated. In many countries, even food imports would be curtailed. Hardly a pleasant scenario.

With all these odds stacked up against the indebted nations, it may be wishful thinking to expect the historical solution of a simple repudiation of the debts to work. But most Third World countries are being crushed under the burden of debt, and so some solution must be found.

3.10.2.2. Dr. Ravi Batra's Solution

Dr. Ravi Batra, Professor of Economics at the Southern Methodist University in Dallas, Texas, and a leading authority on PROUT, has come up with this original solution to the debt crisis (Batra, 1989:146-9):

Three major players are responsible for the Third World debt crisis - OPEC, banks, and leaders of LDCs [Less Developed Countries]. The crisis occurred because of the greed of these players, yet the burden of the debt has so far fallen almost entirely on the LDCs. Even though OPEC is one of the culprits, to date, no one has suggested that the oil cartel ought to bear a part of the burden. In fact, OPEC benefited from the commercial bank lending without which the oil demand from the LDCs would have fallen much faster than it did otherwise, thereby causing a quicker collapse of the price of oil. OPEC was not just a culprit in generating the debt crisis, but a beneficiary as well. Wealthy OPEC countries such as Saudi Arabia, Kuwait, United Arab Emirates, Iraq, Iran, etc. ought to bear at least a third of the LDC debt burden.

Dr. Batra goes on to suggest that the commercial banks be responsible for one third of the outstanding loans, and the developing countries for the last third. Here Batra only discusses the commercial bank loans, which are the real causes of the crisis, and not concessional loans from the IMF, World Bank, etc. He continues:

The World Bank figures show that in 1982, when the crisis first broke open, the total LDC debt was \$557 billion, of which 60%, or 334 billion, was owed to private creditors. Since then, the banks have halted their lending to the LDCs. They have, indeed, restructured their Third World loans, extending maturities and lending a part of interests due to them. But, they have rarely, if at all, provided new money on long term basis... LDCs owed \$334 billion to banks in 1982, which is the benchmark year because after that fresh long term lending stopped for all practical purposes. The money that banks loaned to a problem LDC to service its debt is just a paper transaction; it should not be counted as fresh money. Since the LDC liability should be no more than a third of the total debt, the LDCs owed only a third of \$334 billion or about \$111 billion. In 1982, the US prime rate of interest charged by commercial banks was 15% and had fallen to 8.2% by 1987. Suppose the LDCs had to pay an average 10% interest to the banks over the five years between 1982 to 1987. Their liability to the banks would then jump from \$111 billion to \$178 billion at a compound rate of 10% per year.

The World Bank figures show that between 1982 and 1987 the LDCs paid \$635 billion to their creditors; of this 90% or \$572 billion, went to banks, from whom the LDCs received \$363 billion in terms of deferred interest and principal. In other words, the LDCs paid a net of \$572 billion - \$363 billion = \$209 billion to the private banks over the years. But the total LDC liability over this period, at 10% compound interest rate, amounts to only \$178 billion. This means that the LDCs had more than paid off their debt to the banks by the end of 1987. In other words, assuming that the LDC liability is only a third of the total debt, the LDCs no longer owe a penny to private creditors.

Even if OPEC is thrown out of the picture, and the banks and the LDCs share equal responsibility for the debt crisis, then the LDCs owed the banks \$167 billion in 1982. This, at 10% rate, grew to \$269 billion by 1987, leaving \$60 billion in arrears. Since the LDCs have already paid some \$90 billion in debt servicing in 1988, the debt has been more than paid off by now.

The conclusion is unmistakable. Following the age-old principle of shared responsibility between debtor and creditors, the Third World owes nothing to commercial banks at this time. The Third World debt crisis is a misnomer.

Even though the LDCs have paid off several hundred billion dollars since 1982, commercial banks, supported by the World Bank figures, still claim some \$700 billion from the LDCs in 1988, more than twice their 1982 claim. These figures are a figment of the bankers' imagination. Why should the debt be rising even on paper, when from all accounts there has been a net outflow of capital from the LDCs since 1984?

Dr. Batra proceeds to suggest the formation of an LDC cartel to press their views. According to Batra, the LDCs owe nothing to the banks, and so should stop all payments immediately. Realizing that the banks will consider this a default, and try to impose penalties, Batra stresses the need for a cartel. The banks could destroy a single country that defaulted, but as a group the LDCs are more powerful than the banks, and could survive any attempts to impose penalties. Batra also suggests the formation of a Trading Agency for Debtors, should the banks cut off all short-term credits for exports. This Trading Agency should arrange barter agreements among LDCs and other countries willing to trade with them, and so by-pass any penalties imposed by the banks (Batra 1989:149).

3.10.2.3. President Ibrahim Babangida's Solution

On Monday, 17th December 1990, General Ibrahim Babangida, President of the Federal Republic of Nigeria, gave a talk before the OAU. In it he took up the issue of the slave trade. He stated that 20 million slaves had been taken out of Africa, and that this slave trade had brought such great financial benefits to the European countries, that it speeded up the industrial revolution and helped Europe to come far ahead of Africa. Before the slave trade, he remarked, the difference between African and European development was not so big, and basically Africa was more or less on par with Europe. While the slave trade benefited Europe, it was disastrous for Africa. Not only did Africa lose some of its best and ablest people as slaves, but many more were lost in the wars and struggles that accompanied the capturing of the slaves. The slave trade destabilized the African continent, and most great empires declined. Since the start of the slave trade, for hundreds of years, Africa was in a state of gradual decline.

As Europe and America benefited at Africa's expense, President Babangida therefore put forward the idea that it is actually they who are indebted to Africa, rather than the other way round. If the money value, at today's prices, is calculated of the life output of 20 million people in the USA (not even counting their children and grandchildren!), we will get an amount more than 100 times the current total external debt of sub-Saharan Africa!

In President Babangida's suggestions, he called for reparations to be paid to Africa for the damages that occurred during the trade, and as a first measure, and as a part payment of the reparation, all the external debts to Africa should be cancelled.

In the O.A.U. meeting that followed in Abuja, Nigeria, in June, 1990, a committee was appointed to study the question of reparation, and would report back to the O.A.U. at a later time.

3.10.2.4. Conclusion

Both the solution of Dr. Batra and that of President Babangida have the thing in common that according to their analysis Africa in fact do not owe anything to anybody, and in fact it is Africa that is owed money. The problem with both these are, however, that a single country cannot act on any of them alone. Dr. Batra's solution can only be implemented by a cartel of all Less Developed Countries, and President Babangida's plans depends to a large extent on the Western nations willingness to accept the responsibility for the damages done by the slave trade, and their preparedness to pay out reparation.

As was mentioned in the beginning of 3.10.1., it is impossible for a single country to unilaterally solve the debt crisis. However, some advice on how to manage the situation until a permanent solution, in line with Dr. Batra's or President Babangida's suggestions, could be found, will be presented in 5.5.

3.11. Regional Co-operation

Before the colonial days, for thousands of years the whole West Africa was interconnected with trade routes, and the trade flourished even through the slave trade up to the end of the last century. Today, less than 10% of the trade of African countries go to Africa. This is in spite of there being many articles that could be traded. Togo could provide Nigeria with phosphoric acid for its fertilizer plants and Nigeria could provide Togo with oil and petrol. Togo could provide Ghana with clinker for its cement factory in exchange for electricity from Akosombo dam.

With regional co-operation, small nations like Togo, Benin, Ghana and Burkina Faso could make an agreement, that could open their markets to each other's goods, so that the market becomes big enough to make capital intensive industries profitable. (See also 5.8. for the need of regional co-operation. In case of global depression, see 5.7.)

Even powerful countries like France and Britain, have found that they need to unite in one common market to be successful. For Africa, the need is even greater. Institutions like ECOWAS and OAU therefore need to be strengthened.

3.12. The Five Fundamental Principles of PROUT

In PROUT, there are five principles underlying all policies, and all the suggestions presented in this chapter can be related to one or more of them. These principles are fundamental to PROUT, and no specific PROUT policy should go against any of them. They are universal principles rather than specific policy guidelines, and at different times and in different circumstances, the adherence to these principles may lead to completely different results, dependent on the particular situation.

Though a proper academic approach might have been to first present the principles, and then derive the recommended policies from the principles, we did not believe that it would have added to the understanding of this report, rather the opposite. Instead, we have chosen to present the principles here in the end of Chapter 3, after the PROUT policies have been discussed.

Principle 1:

No individual should be allowed to accumulate any physical wealth without the clear permission or approval of the collective body.

The first principle deals with Ownership. In this world physical wealth is limited, and its unrestricted accumulation is the root cause of all major imbalances in the world, such as the divide between rich and poor nations, and the disparities between rich cities and poor rural areas (see Chapter 2). It is the collective sanctioning of unlimited accumulation of wealth that allows countries and individuals to drain the resources of surrounding areas, making a few people very rich and the majority impoverished.

PROUT encourages private ownership. It is a fundamental psychological urge in human beings to accumulate, and if it is denied, it will lead to a loss of initiative and stagnation, just like in communist countries. On the other hand, if ownership is to-

tally unrestricted, then we will end up with the vast disparities we find in the world, where the irrational distribution of resources is causing starvation and deprivation in developing countries.

The first principle of PROUT establishes that private ownership is encouraged, but in the collective interest, there must be limits set for the amounts of wealth an individual can accumulate. This amount is not fixed, but will vary according to the economic situation. This principle does not imply that everyone will have the same amount of wealth. A society where everyone is equally wealthy is difficult to conceive and impossible to achieve. As Sarkar says, "Diversity is the law of nature, and equality will never be." PROUT advocates that everyone will be provided minimum necessities of life, not as hand-outs from the government, but in the form of guaranteed employment that will provide an income that will meet the person's needs.

PROUT does not try to totally eliminate differences between the rich and the poor, but by restricting the unlimited accumulation of wealth, and providing minimum necessities to all, it tries to minimize it.

PROUT policies that are related to this first principle of PROUT are:

- Maximum and Minimum Wage (3.6.)
- Three-Tire Ownership Policy (3.4.5.3)

For a further discussion on the limitations of private ownership, see also 3.4.5.4., "A Discussion on Private Vs. Co-operative Ownership".

Principle 2:

There should be maximum utilization and rational distribution of all mundane, supramundane, and spiritual potentialities of the universe.

In this principle, mundane means physical objects, such as raw materials, machines, electricity, and other natural resources. Supramundane means ideas, theories, scientific discoveries, new techniques, and other non-material assets.

The principle calls for a maximum utilization of all these potentialities of the universe. The maximum utilization of our natural and man-made resources is not always synonymous to maximum profit for the individual. Therefore, maximum utilization should have preference over profit maximization. This principle is often ignored in modern economics. There are many policies that, though maybe profitable for a set of individuals, are not maximally utilizing available resources.

- It is not maximum utilization to develop one area of a country to the exclusion of other areas (1.4, 2.2.2., 5.3.1.2., 5.3.2.1. etc.)
- It is not maximum utilization to export raw materials without processing (1.5., 3.4.4.1., 5.1.3.6.).
- It is not maximum utilization to discourage small scale farmers by low producer prices, urban bias, agricultural reforms imposed from above etc. (5.2.2., 5.2.3.).
- It is not maximum utilization to let money sit idle, or to invest money in non-productive ventures (3.9., 5. 1.2., 5.3.1.1.).

The investment in heavy industry in Togo during the late 1970's, did not increase industry's contribution to GDP. Rather, though agriculture received a much smaller part of investment, it has constantly been increasing its share of GDP (5.3.2.2., and graph 11). Therefore, investment in small scale farming, teaching better ways for the farmer to utilize and conserve their land, and the provision of cheap inputs, could drastically increase agricultural output and a comparative growth of GDP. Hence, this approach is a proper utilization of resources (5.2.4.). But the benefit of the growth would be spread over many farmers, and no individual would get a huge profit. This brings us to the second part of this principle, that of rational distribu-

tion. For resources to be maximally utilized, they also have to be rationally distributed. This will both ensure that every resource is utilized, and that the benefits of such utilizations are spread among all people. Here, the emphasis is on rational distribution, not equal distribution. (See Principle 1.)

Usually, centralization and wealth concentration means waste and inefficiency.

Specific policies connected to the principle of maximum utilization and rational distribution are:

- People's Economy (3.1.1.)
- Decentralized Planning (3.2. and 4.2.)
- Co-operatives (3.4.1., 3.4.5.3.)
- Process local raw materials before exporting (3.4.4.1.)

Principle 3:

There should be maximum utilization of the physical, metaphysical and spiritual potentialities of the unit and collective bodies of the human society.

While the previous principle referred to natural resources, this third principle refers to human resources. "Physical" here refers to physical skills and work, and "metaphysical" refers to the mental resources of the human being. "Unit and collective bodies" refer to individuals and groups of individuals, respectively.

First of all, this principle implies that human resources should be fully utilized. A full utilization is not possible if there is widespread unemployment, and hence, PROUT's full employment policies (3.3.1.). People are the real sources of all wealth. Therefore, there will be a first priority to ensure that all human resources are fully utilized. This even takes precedence over the utilization of other resources (3.3.4.).

A second aspect implied by this principle is that there must be an adjustment between the individual and the collective. We cannot allow individual interest to take priority over collective ones, while the collective must, at the same time, give scope for the development of the individual. The good of the individual lies with the collective, and the good of the collective lies with the individual. There must be a balance between the two.

Principle 4:

There should be a proper adjustment amongst these physical, metaphysical, mundane, supramundane, and spiritual utilizations.

When it comes to utilizing different factor, physical, mental, as well as spiritual, both natural resources and human resources, there will always have to be an adjustment between the different factors. For example, we have to cut down trees for fuel wood, timber, paper, and so on, but if we cut indiscriminately, we will destroy the whole ecological system: soil erosion, lowered rainfall, desertification, lowering of the oxygen levels, etc. Fertilizers are essential to modern agriculture, but the fertilizer plants are generally "dirty", and cause pollution of the environment.

To have a proper adjustment between the different utilizations means that we need a balanced approach to the utilizations, so we can see the whole picture and evaluate all aspects before we determine what approach to take.

This world is full of maladjustments in this regard. For example, it could be argued that modern industry, in trying to maximize the labour/out-put ratio by investing in capital intensive equipment, is maximally utilizing each labour, and is, thus, satisfying Principles 2 and 3. However, if there is plenty of unemployed people in the country and a scarcity of capital, then definitely there is not a proper adjustment between the different utilizations. Principle 4 wants to ensure that there is an overall maximization in the methods of utilization, and not that one or two potentialities are being utilized, while the majority of potentialities are either left untapped, or even worse, being destroyed.

Principle 4 also considers the utilization of people's potentialities. A highly education person, who has to stand on the streets and sell tomatoes, is not being properly utilized. If he worked as, say, a doctor, his potentialities would be much better utilized. His work as a doctor is more important to the society than his tomato vending, as that skill is rarer than the skill to sell

tomatoes. Therefore, when society spends large sums of money to educate people, only to let them out of school without job opportunities, then there is no proper utilization of their potentialities, and a waste of public money. It is therefore important, that the education system should be more geared towards the realities of the labour market, and the educational needs of the country.

Principle 5:

The method of utilization should vary in accordance with changes in time, space, and person and the utilization should be of a progressive nature.

The final principle of PROUT states a very important fact. Policies that are suitable at one time in a certain place for certain people will undoubtedly be inappropriate in another place, at another time for a different set of people. Therefore, any theory which lays down fixed policies that should be followed at all times, will sooner rather than later become obsolete.

The policies of PROUT, therefore, will always change, but the five fundamental principles of PROUT will not.

Let us take an example. In this chapter, we proposed labour intensive technologies to create jobs for all people. However if at any time there is a shortage of labour and surplus of cash, then the maximum utilization of these resources would involve just the opposite, i.e. high-tech capital intensive technologies should be applied.

3.13. The Need for Moral Leadership

No economic or political system can in itself guarantee peace and progress in a country, as its implementation will depend on human beings. As long as humans are egotistic and can be corrupted, even the best system can be misused. Tawney (1974:219) writes:-

It is obvious indeed, that no change of system or machinery can avert those causes of social malaise which consists in the egotism, greed, or quarrelsomeness of human nature. What it can do is to create an environment in which those are not the qualities which are encouraged. It cannot secure that men live up to their principles. What it can do is to establish their social order upon principles to which, if they please, they can live up and not down. It cannot control their actions. It can offer them an end on which to fix their minds. And, as their minds are, so in the long run and with exceptions, their practical activity will be.

Therefore, for a PROUT economy to work, the first and foremost requirement is moral incorruptible leadership. There must also be a climate in the country which encourages spiritual practices and moral values. Without these qualifications, no economic system, whether PROUTist or any other, can succeed. Within the limits of these reservations, a developing country that adopts a PROUTist development model, should in the medium term expect improved purchasing power for the majority of the population, a reduction in unemployment, and the creation of a conscious progressive rural population, which would both benefit from, and contribute to, national growth and development.

PART II

Implementing PROUT Reform in Togo

PROUT's model of economic development is a departure from the traditional 'top-down' economic structure. It favours instead a 'bottom-up' model of development, where each small unit is being made prosperous and strong, and the whole becomes strong due to the strength of the parts. Sarkar (1988xv:29) explains:

The aim of planners should be to make each block [approx. a Togolese 'prefecture'] economically sound so that the entire socio-economic unit will be self-sufficient. Only then will a country or federation become economically strong and developed in a real sense. This approach to planning is the special, unique feature of PROUT's economic decentralization.

And he adds:

Any attempt to develop an area economically must start at the grass roots level. That is, the direction of economic development should be from the bottom to the top, not from the top to the bottom. The latter is impractical and a utopian myth.

To implement this 'bottom-up' development strategy, there is a need for a corresponding change in the political and administrative structure. Though this report is mainly concerned with economic development, it is unavoidable to touch upon those aspects of the political structure that directly affect economic planning.

Chapter 4:

The Political Structure

In considering the political structure in Togo with the view of implementing a PROUT economy, there are two major aspects to discuss.

First, as the PROUT economy is based on decentralization, the political structure also has to be decentralized with regards to economic planning and implementation.⁵ People need to be given a chance to plan and decide their own economic future in their own local areas.

Secondly, no real economic development can take place if there is no consensus and unity among the people of Togo. It is therefore of utmost importance to consider the collective psychology of the masses and ensure that they are being respected. To go against the collective flow of the masses, even if for a good reasons, can only end in failure.

4.1. Collective Psychology and Multi-party Democracy

Over the whole world the winds of change are blowing. With the collapse of communism, there has been a headlong rush towards a market economy and multi-party democracy all over the world. In Eastern Europe the change is almost universal, and increasing pressure has been put on African countries to adopt similar reforms. The pressure has come partly from Western industrialized nations, and partly from within the African nations themselves.

However, recent experiences of multi-party democracy in Africa shows that there are certain problems that still remain even after its introduction, such as the abuse of power, voter rigging, corruption, and a lack of participation of people in the decision making process. The element of tribalism has also often played a decisive role in African politics.

As any political solution for Africa must have as its foremost aim to tackle the enormous problems facing Africa, with poverty, run-away populations, declining per capita income, food production, etc., any political system that includes elements of inter-tribal conflicts and political violence, would become a serious threat to African nations as it would misdirect the efforts away from economic reform. This is a distraction Africa can ill afford.

So how could a genuinely democratic system be developed for Africa? In the view of PROUT, any real democratic system must give people a say in the planning of their economic lives in their own local areas.

This means that along with economic decentralization, suitable political structures must also be put in place, to ensure popular participation on the grass roots level. The development of such a system must be done with the co-operation of the people themselves, as they will never accept something that has been forcefully imposed on them. Taking an example of imposition in the USSR, Sarkar (1987vii:43) writes,

Leaders of the USSR were ignorant of the collective psychology of the people, so they tried to impose collective farming by force. This produced severe famines and massive civil unrest. While trying to cope with these problems, the administration resorted to brutal force instead of adopting psychological measures. As a consequence they annihilated many people. Sadvipras [moral leaders] ... will never go against the spirit of a people and cause its ruin. (Emphasis added.)

Our task, then, is to move along with the collective flow of the people, and develop a decentralized system of participatory democracy that preferably minimizes the occurrences of the common problems associated with democracies in Africa.

4.1.1. Suggestions for Real Democracy

4.1.1.1. Decentralized Democracy

The first and foremost problem with both multi-party and single-party systems, is that they tend to centralize the decision making and leave out the common people. Decisions are taken at the centre about development in rural areas, without consulting the people who are actually involved. Due to this, inappropriate solutions and faulty policies have too often led to total failure of government programmes.

A farmer in a village is concerned with the availability of drinking water, the lack of rain that is spoiling his crops, the lack of schools and medical facilities, how to get credit to increase his farm next year, the introduction of new techniques to improve his life, and so on. If you ask him to translate this into terms of IMF conditionalities, budget deficits, GNP per capita, and other macro-economic indicators he will not understand you at all.

Still, in present systems of multi-party democracy, African peasants are asked to vote on national economic issues when they do not have the capacity to understand the underlying causes behind the issues, and are mostly voting as per the eloquence of the candidates and the strength of the election promises. However, people are not allowed to vote on the issues in their own village where they do understand all that is involved. After coming to power, the government usually imposes solutions on the people, who have no say in the actual decision making process.

For a system to become really democratic, therefore, it has to give people a say in the economic planning and the development of their own local areas. This means a greater autonomy to each local area, and a chance for the local people to participate in the planning process. This local economic self determination is much more meaningful and important than nation-wide elections, provided that a political system is in place where the central government does not interfere with the planning and economical development of the local areas.

To ensure real popular participation, we therefore suggest the implementation of the reforms regarding block-level planning and village associations discussed in 4.2. This is a step towards decentralizing the democratic processes out to the people who make up the majority of the Togolese population.

With the decentralization of the democratic process, ethnic differences in form of tribalism and linguistic sentiments, can also easier be chanelized into positive constructive endeavours, as each local area has to devote its resources towards the development of its own areas. (Compare 3.2.2.)

4.1.1.2. Political Parties

As far as the issue of multi-party systems goes, it would be preferable that candidates were elected on their own merits, rather than on the basis of party-affiliation. The Czechoslovakian President, Vaclav Havel, echoed this idea in his book "Disturbing the Peace" (HAVEL, 1990:16-17),

It would seem to make more sense if, again, people rather than political parties were elected (that is, if people could be elected without party affiliation). Politicians would solicit the support of the electors as individuals in their own right, not merely as appendages to the mega-machinery of parties or as party favorites. There should be no limit to the number of political parties, but they should be something like political clubs, where people could refine their opinions, get to know each other personally, and seek to determine who among them would be best to administer the polis. Parties should not take part in elections, nor should they participate directly in power, since when they do, they inevitably become bureaucratic, corrupt and undemocratic. They should instead provide those who participate in power - having been elected - with an intellectual base, with ideas, with opportunities to hone their opinions.

Maybe this would be a way out for Togo?

4.1.1.3. Election Promises Binding

Another problem with elected politicians, is that they are not obliged to live up to their election promises. This is another flaw with democracy as usually practiced.

Another important electoral reform is therefore to make all promises made during the election campaign binding on the candidates. Any candidate found to change his policies after being voted into office, or not living up to his election promises, should face the possibility of being taken to court by the electorate. If it is proven that he did indeed break his election promises, he should be removed from office and a by-election should be called. This system would ensure that candidates would not try to fool the people with high-sounding rhetoric. Every candidate would have to think twice before making any promises.

4.1.2. Suggested Reforms

A suggestion for reforms that would provide real participatory democracy for the people of Togo, would therefore be to:

- Decentralize the system of economic planning, and introduce people's economy
- Introduce elections for local bodies to implement the planning
- Make the elections on a no-party basis, and make election promises binding.
- After economic power has been decentralized to the people, and people's living standards among the lower levels of the population have been guaranteed, national elections, whether on multi-party, one-party, or a no-party basis, can be held as per the circumstances. However, the reform must start with the grass roots level.

4.1.3. Timing of Reforms

Timing is very important. It is therefore advisable, that should any attempts be made to introduce reforms, and to decentralize economic power and planning, it has to be done decisively and at the earliest possible point of time.

4.2. Decentralized Structure

In the introduction to chapter 4., we mentioned two aspects that needed to be addressed in assessing the future political structure in Togo. The first was the need for a political organization to implement the decentralized economy advocated by PROUT, and the second was to take into consideration the collective psychology. We concluded that this collective psychology of the people has to be channeled into the aims of developing their own lives in their own local areas. In this way, the consideration of the second aspect is solved by concentrating on the first, viz. to develop structures for the implementation of people's economy.

We will now proceed to outline details of the political structure needed to introduce decentralized economic growth, where all layers of society will participate and benefit.

4.2.1. Bottom-Up Planning

The specialty of the PROUT economic system, is that it starts from the bottom and goes upwards, instead of the other way round. This is done by creating self-sufficient prosperous units all over the country. The political structure has to reflect this, and hence utmost importance is given to the organization at the grassroots level.

4.2.2. Village Associations

On the village level, the people have to be encouraged to form local associations to collectively decide on matters concerning the development of their villages. These committees will be the link between the people of the villages and higher planning bodies, NGO's, etc. For the village associations to function properly, they need help with inputs on alternative development models the villages could embark on by themselves, as a part of a larger block-level plan. Here the role of properly trained and properly motivated extension workers, as well as that of NGO's, will be crucial. The emphasis will be on the people themselves, to motivate them to introduce new methods and intermediate technology solutions (3.3.4.) to improve the productivity and create employment opportunities.

The village associations should also encourage local farmers to join together in agricultural co-operatives (3.3.4.1.), saving and loan societies (3.9.), etc. by establishing attractive examples for villagers to follow. People should not be forced to join any association or co-operative. However, only those who join should be allowed to reap the benefits from the development efforts of such groupings, and so encourage all to join and participate in the development.

4.2.3. Association on Sub-Prefecture (Panchayat) Level

Many villages can get together and form larger associations within the same sub-prefecture. They can also form boards and committees on a sub-prefecture level for specific purposes such as agriculture, cottage industries, etc.

4.2.4. Prefecture (Block) Level Structure

It is on this level, that the first attempts at real economic planning takes place. A prefecture is big enough for planning many aspects of economic life in the area, and yet small enough for the planners to be in complete touch with the people and their aspirations, and to know all the details that are needed for proper planning (3.2.3.).

4.2.4.1. Guidelines for Planning

In planning the prefecture, there are four aspects the planners should consider (3.3.2.), viz. cost of production, productivity, purchasing capacity, and collective necessity.

Cost of production should be considered, so that all hidden costs, such as family labour, are taken into account in fixing prices.

Productivity should be maximized, and no productive unit should be under-utilized. In fact, in Africa today almost all industries are being under-utilized, working far below installed capacity. This is usually due to dependence on imported raw materials, or faulty planning. These types of mistakes have to be avoided.

The purchasing capacity of the people has to be taken into account in the planning process, and efforts should be made to safeguard, and gradually increase, the purchasing capacity. For this, prices must be kept stable, and people's salaries gradually increased.

The collective necessity of the people and of the area has to be assessed and plans made to meet these needs. If more land has to be developed, plans for feeder roads have to be made to make the land accessible.

4.2.4.2. The Planning Body

The planning body should be composed of a combination of professional and local representatives of the various sub-prefectures and villages within the prefecture. From the professional side, there should be representatives of the following:

- Economist,
- Agricultural experts,
- Experts in cottage industries and intermediate technology,
- Experts in soil conservation and ecological issues,
- Civil engineers for construction works, and
- Social scientists etc.

The local people from the area are also to be considered experts, experts in how they live, their livelihood, their traditions, their culture, their old methods of farming, etc. They therefore have to play a crucial role in the planning committees. If the planners lose touch with the local communities, all their plans will be useless even if they look good on paper. On the prefecture level, the planning scale is small enough for the planners to closely interact with the people whom they are planning for.

Preferably, even the technical people on the planning committees should come from the prefecture which they are planning. If there are no qualified people from this prefecture, extension workers who have worked in the same area for a long time can be considered. If these are also not available, then any other qualified persons may be considered.

For the local people to feel that they have a say in the planning, it would be advisable that the local people, say representatives from all village associations, select a committee to appoint the planning board. Then the candidates for the board should be interviewed and officially accepted and appointed by the representatives of all villagers. If there is lack of local qualified personnel, the central government, NGO's, or any other qualified body may suggest or appoint members for the planning bodies, but the local people must have the final say.

4.2.4.3. Redrawing Boundaries

As the prefecture has been selected as the lowest level of planning, it may in some instances be necessary to redraw the boundaries of some prefectures to improve the economic planning. Sarkar (1987bxii:37) writes:

The area of a block [approx. a Togolese prefecture] as they are currently formed are mostly demarcated on the basis of political considerations. PROUT does not support such a division. These present divisions should be re-organized depending upon the following factors — the physical features of the area (including river valleys, varying climatic conditions, topography, the nature of the soil, the type of flora and fauna, etc.), the socio-economic requirements and problems of the people, and the different physico-psychic aspirations of the people. This scientific and systematic block demarcation should be the basis for efficient decentralized economic planning.

4.2.4.4. Intra-Block Planning

Within the frame of a greater master plan for the country, which pin-points the main resources and potentialities in various parts, each prefecture should draw up its own economic plan. For this they should consider the natural resources, the topography of the area, river systems, cultural conditions, communication and industrial and developmental schemes and projects.

After assessing these factors, the planners have to ask themselves which type of economic activities would be suitable. What crops can grow in the area? Is all land properly utilized? What agro-industries (3.4.2.2.) and agrico-industries (3.4.2.1.) can be established? What are the sources of energy? Is the land being depleted by erosion, and what can be done to stop this trend? Is deforestation a major problem? Construction of feeder roads using labour intensive methods (3.3.4.1.), clearing new land for agriculture (3.3.4.2.) and the introduction of intermediate technology (3.3.4.3.) are some tools that can be used to speed up the development process.

There is at present technology solutions, and other methods suitable for small scale labour intensive projects appropriate for block-level planners.⁶ However, the information is scattered, and an important priority would be to establish a local resource centre for the collection of information and for further research.

Other important aspects for the planning are, in view of the population and its needs, how many schools will be needed, are there sufficient markets, is enough food being produced, is there a need for blacksmiths to repair agricultural tools, and if so how many, and so on.

At a later stage of the planning, alternative energy sources, such as solar and wind energy, should be explored. Small dams for irrigation and domestic water supply should be started wherever possible. The solutions to most of the problems already exist, and have even been tried in many places. What is new in the PROUT planning process, is the emphasis of decentralized planning and people's participation in implementing these solutions.

Many things have in the past been done to develop the rural areas in Africa. However, the main lesson seems to be that if people participate in the planning and implementation of the programmes, and they are adapted to the practices and traditions of the local people, they have good chance of success, otherwise they fail.

Therefore, once the plan has been drawn up, it has to be presented to the people who have to implement and live with it. Those parts of the plan that directly concerns a particular village, should be presented to the village association for consultation and approval. It is important that the people come to know why the plan has been made as it is, and what benefits the people can expect to reap. For example, if an irrigation dam is deemed suitable near one village, as this would enable more crops to be grown throughout the year, then these facts have to be presented to the village association, and the association itself will finally approve or reject the plan. It is not advisable that the planners impose plans against the wishes of the local people, and only in exceptional circumstances should such a course of action be taken. It is better to let the village take its own decisions, and be shown with logic what is in their own interests. Sometimes the villagers may have very good sound reasons why a certain project would not be in their best interests, and in such cases the plans have to be revised accordingly.

4.2.4.5. Inter-Block Planning

Certain aspects cannot be planned in one prefecture along. Sarkar (1987bxii:38) writes:

However, there are problems which spill over the block boundaries and this cannot be tackled or solved by one single block, like flood control, river valley projects, communications systems, higher educational institutions, afforestation projects, the environmental impact of development, the establishment of key industries, the erosion of

soil, the supply of water, the generation of electricity, the establishment of an organized market system, etc. These problems cannot be solved in one block alone, so inter-block planning is necessary. Inter-block planning is an economic venture into some selected field to harmonize and organize socio-economic development in a few adjoining blocks through mutual co-ordination and co-operation.

4.2.5. Regional and National Planning

To synchronize inter-block planning within a region or within the country, regional and central planning bodies also have to be formed. They should undertake planning based on the same guide line (3.3 and 4.2.4.1) as the lower level planning bodies. These bodies would be crucial in assisting the more capital intensive projects that could be introduced in the city centres, or large scale labour intensive schemes. Provided the prefecture level plans fall within the framework of the national plan, the regional and national planning bodies should not interfere with the local planning. As far as possible, revenue collected in one local area, should be utilized in the area, and no drainage of wealth from one part of the country to another should be allowed.

4.2.6. Training Institute

The professional members of the local planning bodies may be very qualified in their fields, but may have no experience in decentralized planning. For the training and motivation of block-level planners, agricultural extension workers, technical field staff etc., a training institute should therefore be set up in Lome. This institute could be run by an autonomous body with assistance from NGO's, and selected government departments.⁷

4.2.7. Motivating Field Staff and Extension Workers

The most important people in implementing the plans in rural areas is the field staff and extension workers of governments and NGOs. These are the people who actually talk to the peasants, who help to organize them into co-operatives and village associations, who introduces new intermediate technology, and so on. With them, rural development can be speeded up many times.

The problem is often that they are poorly motivated and disillusioned. Many of them would prefer to leave their postings in rural areas to work in the city. As these field workers are absolutely essential for spreading the ideas of decentralized planning and new technologies to the villagers, and to motivate people to help themselves, field workers have also to be inspired and motivated. They should be made to realize the importance of their jobs, and be suitably encouraged and rewarded.

This could easily be done by letting the field workers know that they are from now on the most important people in the development efforts. A personal approach by important government officials, such as the Head of State, could create magic results in motivating them. Some practical suggestions would be to arrange a party for the 25 best field workers in a particular year, when they are being invited to state house and the best worker could get a medal from the Head of State.

This would cost next to nothing, but would be a tremendous moral boost for the worker in the field, and everyone would work hard to develop the areas where they have been posted.

If regional governors, ministers, as well as the Head of State, personally could visit villages and rural development projects, an additional psychological impact would be created in both the field workers and the villagers.

4.2.8. No Politicians Please

It is of utmost importance that only NGOs, field and extension workers, professionals, and the peasants themselves participate in the planning and its implementation. No politicians should be allowed to make political capital out of the development efforts, or influence the people with false promises. By genuine development, the state will gain more political influence than by shallow show-biz performances of insincere politicians.

4.2.9. Role of NGOs

NGOs have a crucial role to play in this development. They have generally extensive experience in rural development, and would welcome a government approach to development which corresponded to their own approach. There are many successful projects of rural development in Africa undertaken by NGOs (Harrison, 1987), but they remain mostly small scale and localized. One reason is that the NGOs have limited capacities, and never before has a government redirected its development efforts towards total decentralized development. However, with such a commitment from the government, NGOs

could be encouraged and assisted to duplicate these success stories by sharing with the government and the people their experience in successful rural development.

4.2.10. Funding the Decentralized Development Programmes

With the labour intensive methods that are being envisaged, a little money can go a long way to improve the situation the rural areas. If too much money is spent or requested for a small project, then it is probably not a good one. To a large extent, this development effort is a question of education, rather than funding expensive projects. But still, some money is needed. Where will it come from?

With government revenue redirected from capital projects, the same money spent on rural development will go a long way. We are not talking about building expensive hospitals or clinics, or wasting a single franc on unproductive ventures. All money should be properly utilized.

Some funding can be raised in the local areas. All government revenue raised in a local area, should be utilized for that area.

Another source of funds is the donor agencies. This type of rural development can attract easy funding, and there is much money around if the projects planned are properly organized.

Then there are the NGOs. At the present, the government's PDLP programme (a programme for local development involving the villagers), though its aim is similar to the development envisioned in this report, is bogged down in bureaucracy and over centralization. Instead of each village sending their project proposal to the regional headquarters, who forward them to Lome, where after processing they are presented to the donors (World Bank, UNDP, etc.), a much easier approach can be implemented.

Let each village, or each project, present their proposals into a special pool, where all NGOs are invited to come and look at the projects and chose which ones they wish to take up. If an NGO selects a project, it can by itself approach donor agencies for funds. This type of system has been operating with good results in Niger.

4.2.11. Implementation at the Village Level

For the implementation at the village level to succeed, it is important that the trained field workers or the NGOs mobilize the people, and within the framework of the prefecture plans let the villagers decide what projects they want to do. If they do not want to help themselves, then select another village. In the end, when seeing the success in neighbouring villages, everyone will want to participate in development.

4.2.12. The Cities

Then what about the cities? We have mostly discussed the rural areas, but 25% of Togo's population live in the cities.

Unemployment is high in areas like Lome, and the influx of people from the rural areas increase every year. The main reason why people leave the country side and move to Lome is that they cannot make ends meet in their villages. If development opportunities are provided in their own homes, not only may this prevent the exodus from the rural areas, but could possibly change the direction so unemployed people in the main cities move back to their local areas.

In addition, special programmes will have to be initiated to provide more jobs in the cities also. But basically, a large number of unemployed in and around Lome should be encouraged to return to their villages, and assist in the development there. This is specially important for unemployed academics with technical skills that can be helpful in the new rural development efforts.

4.3. Mobilizing the Masses

In the wake of demands for greater democracy, there must be a concerted effort to channalize this desire towards demands for local economic development. Nation-Wide multi-party elections will affect the people only marginally in rural areas, whereas local economic self-determination and 'bottom-up' development will directly improve the lives of the majority of Togolese people.

Therefore, people have to be educated about the possibilities and potentials of decentralized economic development. Books, articles, lectures, discussions, and courses could be directed towards the educated, students, lecturers in universities etc. It is particularly important to get the students interested, as they are usually idealistic and interested in change.

For the popularization of the concept of people's economy and decentralization, certain target groups crucial for its implementation have to be identified and won over. Some of these groups are:

- rural population
- traditional rulers
- students
- technical assistants in rural areas, and
- intellectuals.

There must be a concerted effort to spread the ideas to these groups, and get their support. The programmes must be clear, concise, workable, and with a realistic time frame. The results of the programme must be clearly defined, and progress must be measurable.

It would therefore be useful if the popularization of the decentralized economy were not presented from a party platform, and all the planning bodies are divorced from the party influence. Even on the village level, no parties, whether the ruling party or any newly formed parties, should be allowed to take part in the formation of the village associations. Let all the villages vote on a no-party basis, and in this way introduce some kind of no-party democracy.

To mobilize the people in the villages, not much campaigning and not many words are necessary. What is needed here is action. If development actually gets started, then people will automatically join up.

4.4. Conclusions and Recommendations

To sum up, the PROUT Research Institute offers the following recommendations for political stability in Togo:

- Provide a decentralized economic system, which will allow all people to participate in the development of the country
- Decentralize the economic planning mechanism to ensure people's participation on all levels, by introducing the reforms outlined in 4.2.
- The introduction of this decentralized economic system should be done in close co-operation with the people. For this a two- prolonged approach is recommended. In the city-centres and among academics, students, and other professionals, information, discussions, lectures, and other popularization methods will be appropriated. In the rural areas, what is needed is mostly action. People are less inclined towards theoretical discussions than towards practical implementation. Still, people in the villages have to be approached and consulted, but not in regard to the overall strategy, but more in its implementation in their own local area.
- As a step towards the implementation of the decentralized structure, encourage people to form village associations (4.2.2.) and elect their own leaders. This should be done on a no-party basis and no political parties should be allowed to get involved in the development process. Any promises during the election campaign should be binding.
- Representatives from functioning village associations should then be asked to select the prefecture level planning committees, according to the guidelines given 4.2.4.2.
- In this way a stable grassroots participation in economic development is assured, and it is unlikely that the people would agree to vote in any party that would remove their new acquired freedom of economic participation. The further the decentralized reforms are successfully implemented, the stronger the political support of the people will become.
- Make sure that the participation from below is real and genuine. Do not use the existing party apparatus from the ruling party to implement reforms, as this may create suspicions about the genuineness of the reforms,

especially in a political climate where demands for a multi-party system has been introduced. When possible, make use of NGOs and other non-political bodies.

Chapter 5

The Economy

5.1. Development and Crisis in the Togolese Economy

5.1.1. Years of Steady Growth

The first two decades since independence, were characterized by a healthy real growth of the GDP by an average of 7% per year. The growth was mainly spurred on by the increase of the export of cocoa and phosphates.

During this period GNP per capita grew steadily, and minimum wage in real terms was also increasing regularly. Infrastructure and communications improved, as over 30% of the investments went into this area.

Still, the Togolese economy was very fragile and the growth, though impressive, depended on many factors outside Togo's control.

First of all, its major exports were few and the prices of them were volatile. They were all primary products, with little value added (3.4.4.1.). Secondly, it was heavily dependent on the importation of manufactured goods from abroad, including oil.

Towards 1973, agricultural production as a percentage of GDP had fallen, both for food and cash crops. Output in the manufacturing sector was on the increase, but its industries depended mostly on foreign raw materials (3.4.4.2.).

Though the economy on the whole looked healthy and prosperous, the dependence on the exports of a few raw materials and the failure to develop an industry based on local raw materials, made growth of this period fragile.

5.1.2. 1974 - 1980 Years of Heavy Borrowing

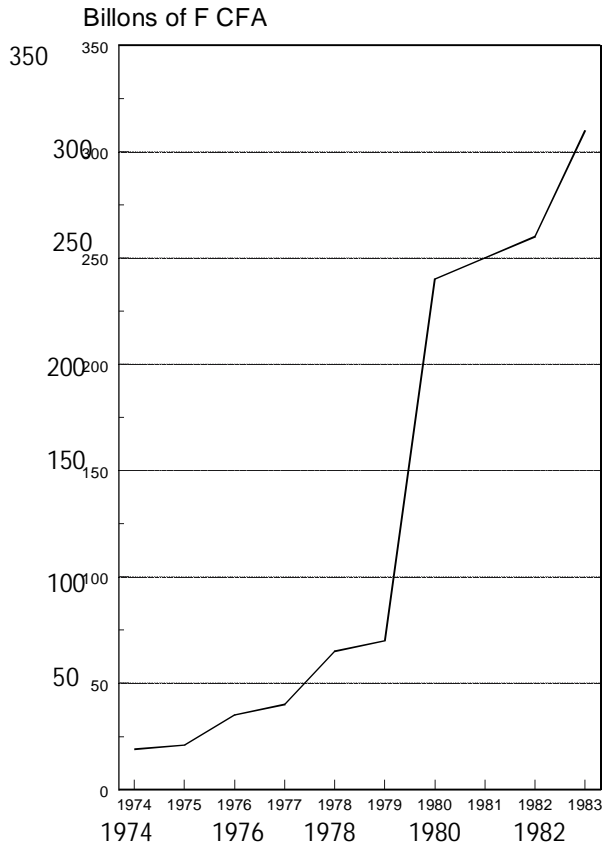
In 1974 the price of Phosphates on the world market had risen to all time heights. Based on these high prices an ambitious programme of investments was started. During the 3rd five year plan, a total of 282.7 billion F CFA (approx. US Dollar 1 billion) was invested in various sectors. 41.4% of these investments went into industry and commerce, while 44.5% went into transport, communication and urban development. Only 7,2% of investments went for rural development (See graphs 9 and 10).

During this time, more than a dozen state corporations were formed. Unfortunately, most of these were ill conceived and their feasibility studies faulty. They were mostly initiated from abroad, and were not part of the original plan. They were all capital intensive, and contributed little to the creation of employment opportunities. Almost from the start they were taking losses, and by now many have either closed down or are privatized.

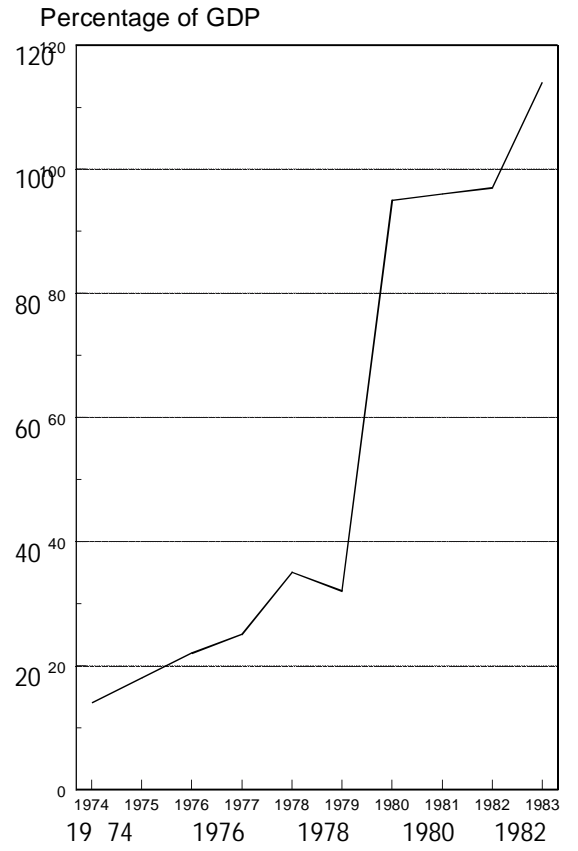
These projects were initially intended to be financed by the high phosphate prices, but the phosphate prices fell drastically before any of the projects could be finished. Facing the prospect of being stuck with a number of half finished projects which would amount to a total loss, the government decided to borrow heavily on the international market to finance the completion of the projects.

This heavy borrowing to finance a string of unviable projects was disastrous for the Togolese economy. From having a total external debt of only 18.2 billion F CFA in 1974, which produced a debt servicing ratio of manageable 3.54% of export earnings, it rose to 74.52 billion F CFA in 1979, 240.3 billion in 1980 and 260.84 billion in 1982, when the debt servicing ratio had reached 50.51% of export earnings (see graphs, 6, 7 and 8 on the following pages).

Graph 6: Total Debt in Billions of F CFA

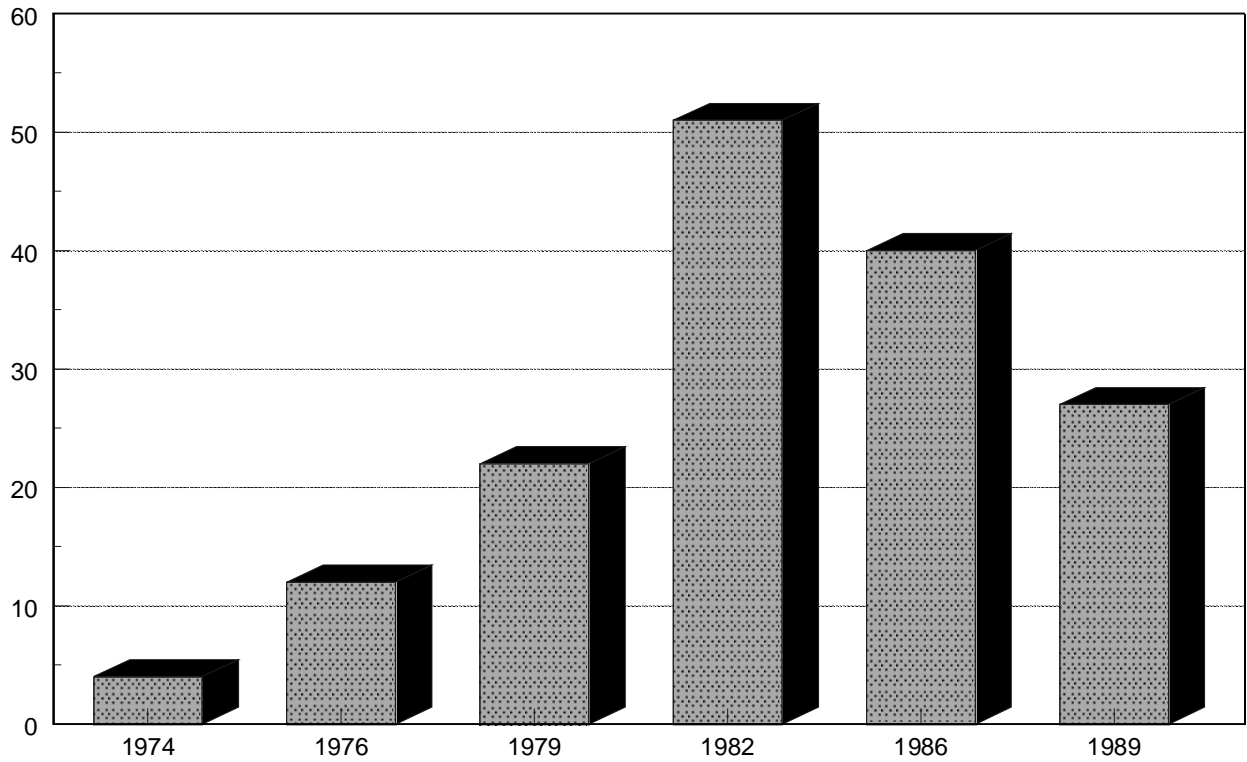


Graph 7: Total Debt as percentage of GDP



Graph 8: Debt Servicing as percentage of Exports

Percentage of exports



In the agricultural sector, the country did better. Realizing the danger of stagnation in agricultural output and the resulting exodus from the rural areas, the government in 1979 launched a programme for stimulating food and cash crop production. Under the slogan "Return to the Earth", the government introduced several reforms aimed at surveying all land in Togo and classify them into arable and non-arable land; open up new arable land for cultivation; introduce and reforms to increase and consolidate small land holdings into larger and more economic units; improving storage and processing facilities of food-stuffs; replanting of old cocoa trees and increase the production of cotton and so on.

As a result of the programme, grain production in the country rose from 265,000 in 1978 to 509,000 tons in 1988. There was also a spectacular growth in the production of cotton, which surpassed cocoa as the biggest foreign exchange earner next to the phosphates. Still, partly due to that many proposed reforms were not implemented, and partly due to a high technology Westernized approach to agricultural reform, the progress, though appreciable, remained limited.

For example, the land survey and the opening up of new farming land through the formation of ZAAP (Zone d'Aménagement Agricole Planifié) were never implemented. Seeds and farming techniques were introduced that were out of touch with the realities of the Togolese farmer. Farmers were supposed to invest money they did not possess, while credit was very hard to come by. Huge machines for big plantations were imported, while the average farm in Togo is under 3 ha. New hybrid seeds were introduced, which did not fit into the overall farming schedule of the peasants. At the same time the producer prices of agricultural products were so depressed, that there was not much incentive for farmers to grow more than their own needs, especially not by introducing expensive inputs, like fertilizers and pesticides.

5.1.3. 1981 - 1990 Years of Structural Adjustment

In the early 80s, following the second oil shock, recession hit the world. Up to this time, in spite of serious imbalances in the economy, Togo had managed quite well. Now, at the most critical time in its history, with low producer prices of its main exports and a massive foreign debt, demands in Europe for Togo's exports fell even more due to the global recession. Between 1980 and 1983, exports fell in real terms from 25.4 billion F CFA to 18.5 billion, a reduction of close to 30%. During the same time, fixed capital formation fell more than 60%.

In these circumstances, Togo had little choice but to introduce, in collaboration with the IMF, a structural adjustment programme (SAP), which aimed at a massive contraction of the local purchasing capacity, and to redirect resources towards the repayment of the foreign debt. However, the SAP, while concentrating on the reduction of the local demand in the short term, tended to neglect the need for growth and development in the long term. There was minimum consultation with the Togolese people before these measures were introduced, and as many perceived SAP as having been imposed from outside, there was very little public support for it.

The SAP has been in force throughout the 1980s and though Togo had few alternatives to introducing these policies, the social costs have been high. GDP has grown in real terms with 3.3% per year on average in 1984, after a yearly decline between 81 and 83 of 2.5%, but the GDP per capita has since 1984 been stagnant. The purchasing power of the minimum wage has been reduced to less than half. The number of unemployed has increased steadily between 1984 and 1988 at a rate of 4.6% per year, and according to an independent report prepared for the Togolese government, now stands at 28% of the active population. This is partly due to a poor demand in the private sector and partly as a result of the government's ban on new employment and promotions, which seems to still be in force.

As for the rest of Africa, the prospects for the years to come look gloomy, if a reversal of the trend of lowered living standards and economic stagnation is not accomplished. While proceeding to analyze the various sectors of the Togolese economy, PROUTist recommendations for how this reversal can be accomplished will be presented.

5.2. The Rural Sector

5.2.1. Some Basic Facts

In the latest census in 1981, 74.8% of the Togolese population lived in the rural areas. This is 4.4% less than in the earlier census in 1970, when the rural population was 79.2%. The reason is that the urban population is growing faster than the rural, due to a heavy urbanization, with people migrating from the villages into the cities.

Out of the 1,114,000 active population, 947,000 live in rural areas. This is 85% of the total, i.e. more than the percentage of the total population living in the rural areas. Out of a total arable area of 3,460,000 ha, i.e. 61% of the total area of Togo, only

526,000 ha or 16% is cultivated. In 1989 agriculture contributed 52.4 billion F CFA, or 23% of GDP. If forestry, cattle and fishing is included, the total amount rises to 74.9 Billion F CFA, or 33.9% of GDP.

Among the rural populations, it was estimated (1982) that 1,979,000 or 92% were dependent on agriculture. Food crops take up 80% of the cultivated land and is responsible for 84% of agricultural income. 20% of the land was used for cash crops. Food crops include maize, sorghum, rice, cassava, yam, beans and groundnuts. The main cash crops are cotton, cocoa, and coffee.

Cattle rearing is mainly found in the north of the country. Due to tse-tse fly infestation, it is difficult to rear cattle in the south. Fishing is done along the coast and the rivers, but the amounts caught are marginal, and do not cover the needs of the country.

5.2.2. The Situation in the Rural Areas: Its Problems and Constraints

Urban Bias

As we saw in Chapter 2(2.2.2.), there is usually an urban bias, which tends to drain resources from the rural areas into the cities. This is the case in Togo also. In 1989, 33.9% of the GDP came from the Primary Sector, such as agriculture, forestry etc., which is solely generated in the rural area. Still, the expenditure on rural development in the last workable 5 year plan, before SAP, was only 7.2% of total investment. Extension work, agricultural research, and popularization of new technologies are inadequate, and often unsuited to the actual situations in the rural areas.

Low Producer Prices

The pricing policy also tends to favour the cities. Since 1983 the prices of cash crops have gradually increased, as the government policy has been to correlate the prices paid to farmers with the price on the world market. When it comes to food crops, the prices have been fairly stagnant throughout the 1980s, while some products, like groundnuts, have seen a drastic fall from 177 F CFA/kg in 1983, to only 27 F CFA/kg in 1989. If we consider the effect of inflation, prices of all food crops have fallen.

Food Production Per Capita Falling

Togo is basically self-sufficient in food, but this self-sufficiency is fragile. Though food production as a whole has risen, food production per capita has declined with 11% between 1979-81 and 1985-87. Imports of food grains, (mostly rice and wheat flour) which in 1979 were only 6,000 tons, had by 1986 risen to 86,000 tons. While the production of food grains like maize and millet has grown satisfactory, there has been a dangerous decline in the production of cassava, yam, and other root crops.

Rural Exodus

Throughout the rural areas, the livelihood of farmers are being gradually eroded. Due to the increasing pressure of population, traditional agricultural practices are no more being followed. Land is no longer allowed to lie fallow, and more and more crops are being squeezed out of the land without putting anything back. Every year the yields become poorer, as the land becomes over worked. With the deterioration of conditions in agriculture, young people look at other possibilities for employment. As no such opportunities are available in the rural areas, they tend to leave for the big cities, mainly Lome. They rather go to the cities with a very small chance of getting a job, than stay in the villages with no chance whatsoever of getting a job. As a result, the young and strong leave the rural areas, leaving a higher proportion of inactive people (very young and very old). This further limits the chances of clearing new land and improving the soil fertility. The land therefore becomes still more depleted, and even more people leave for the towns.

5.2.2.1. Constraints Due to the Nature of Land and Climate

Africa has one of the harshest climates in the world, with a number of factors all working against the farmer. In Europe, Asia, and America farming is much easier than in Africa. Harrison (1987:44) lists some of the constraints in Africa as follows:

Climate

- Variation in rainfall . Africa has one of the most unpredictable rainfall patterns in the world. Years of drought are frequent, but even in years of good rains, spells of drought in the midst of the rainy season may destroy the crops. Furthermore, in an area of good rainfalls, one or more villages may have little or no rainf all at all.
- Rainy and dry seasons . This tends to destroy the topsoil, as the annual vegetation dies during the dry season, and the land is laid bare when the first rain storms of the season come. Much of the soil is then washed away.

- Rain falls in storms . Gentle rains are always better than hard rains, as the water gets a chance to seep into the soil. With heavy rain storms, much of the water is lost through run-offs, much soil is washed away, and nutrients are leached from the soil.
- High temperatures causes high evapo-transpiration, and a high rate of decomposition of organic matter.

Soil

- Low levels of clay and organic matter in the soil . This makes the soil more susceptible to erosion and crusting. It also makes the fertility low, as it makes the soil low in nitrogen and phosphorous. This type of soil has a poor capacity for holding water and nutrients. In humid areas, the soil is also usually acidic, and has aluminium content which makes it toxic. In semi- arid zones, the sandy soil gives rise to sand storms, and the sand has a poor water holding capacity.

Biological

- Rapid weed growth
- High disease and pest incidence, which gives rise to low labour productivity, crop losses, and low animal productivity.
- Trypanosomiasis or sleeping sickness is carried by the tse-tse fly. Though it can affect human beings, it is devastating for animals, especially cows and bulls. As the tse-tse fly is common throughout the humid parts of Africa, large scale cattle rearing has been concentrated in the north, where the tse-tse fly does not flourish. This means that the integration of animals in agriculture, such as was common in Europe and Asia, has not been widely developed. This has resulted in a loss of animal power to plough etc.

Water

- Few sources of shallow ground water. There is therefore problems with well digging using labour intensive methods. Even many bore-holes fail to reach the ground water level. Even when ground water levels are reached, it is dangerous to use it for large scale irrigation, as the water level then tends to sink still more.
- Low surface water availability
- High seasonal variations of rivers.
- Difficulties of cheap irrigation

5.2.2.2. Social and Economic Constraints

Beside these external constraints, there are other social and economic ones that have to be discussed.

Small farm sizes

Apart from the fact that only a small portion of the arable land in Togo is utilized, each farmer has normally a very small plot of land which he works manually. A reason for this lies in the traditional land system, which favours a fragmentation of land. To ensure that all families in a village has got land of equal fertility, the land may be split so that one farmer have four small plots in four different places. Much time is wasted in walking from one plot to another, and each plot is so small that it cannot be used for mechanized agriculture.

This tendency to fragment the land holdings is accelerated by the demographic pressure. As a result of inheritance practices, the land of a father is split up among the sons. In the 10 years between 1973 and 1983 the percentage of holdings less than 3 has increased from 85% to 91%. The fragmentation is greater in the south of Togo than in the north, where population pressures are lower.

Under-employment and labour shortages

There is a paradox in rural Africa, that there exists simultaneously under-employment and labour shortages. At the time of intense agricultural activity, there is labour shortage. These are the times of planting and harvesting. The labour shortage is due to lack of animal power, migration to the cities, and the excess burden laid on women. Women in Africa are responsible for 70% of the food production, and 100% of food processing, child rearing, water and fuel collection.

The effects of this labour shortage is late ploughing and planting, late weeding, and late harvesting. In Africa, with its uncertain rains and unstable climate, this causes lowered crop yields and lowered productivity.

At the same time, during the dry season, there is seasonal under-employment. African farmers have therefore tried intercropping, with various varieties maturing at different times, and thus spreading the work load more evenly. This fact has usually not been appreciated by western 'experts', who considered the intercropping 'messy', and tried to impose mono-culture.

Shortages of Cash and credit

Most Togolese farmers are poor, and cannot afford introduction of fertilizers and improved seeds, even if they know it would give higher yields. So far a satisfactory system of rural credit has not been introduced. Commercial banks have been more interested in promoting loans for trading and commerce, which give a quicker return and are considered safer. Up to recently, the main source of credit for the rural areas was the CNCA, or the Caisse Nationale de Cr dit Agricole. The bank favoured village associations and co-operatives, but individual peasants could also qualify. Still, the bank gave more loans for cash crops and other investments, and though the peasants received 43.8% of the number of loans, in money value they only received 6.2% of the total credit given by the bank.

Commercial banks used only 15% of their credit for agriculture, and out of that 5% were spent on agricultural production and the remaining 10% on commercialization.

At the present time, the CNCA has ceased its activity, and no alternative institution has so far been established.

Low Producer prices

Another constraint on the development of agriculture, is the low prices paid for agricultural products. As the prices are low, it is not worth the expense to invest in hybrid seeds and fertilizers. The risks involved are simply not worth the gains. There is neither any incentives towards soil-conservation methods, as time and money spend in this area is not compensated by the increased yields. To brake even, the farmer has to use cheap inputs, or no inputs at all.

An additional problem with the low prices, is that farmers are caught in a cycle of perpetual poverty. As they have little extra income, their purchasing capacity is low, and economic activity is stagnant. If farmers could get realistic prices for their produce, they would be more willing to invest in improved farming techniques and soil conservation, and their willingness to take risks would increase.

Apart from the low farm prices, there is very little goods available in rural areas. Even if a farmer gets money, there is not much of interest that he can spent it on without travelling to one of the major towns.

Lack of infrastructure.

Much agricultural land in Togo is inaccessible due to the lack of feeder roads. In the past, the government has done much to improve the infrastructure but still much needs to be done in the rural areas. Apart from roads, there is also a shortage of water. In spite of a vigorous programme to provide bore holes, there is demand for more. The improvement, according to government statistics, is still encouraging. In 1990, a total of 7,663 bore holes had been made, against only 3,267 in 1987. The government aim is to provide a bore hole for each settlement with at least 100 people.

Research and training.

Given the special constraints of agriculture in Africa, research results from other continents may not be applicable. Many high yielding varieties of seeds tested in India or Europe, could not withstand the harsh conditions of Africa, and gave even much less yield than the local varieties.

Africa was late in initiating its own research. In 1967 the International Institute of Tropical Agriculture was inaugurated in Ibadan, Nigeria, but it did not start work until 3 years later. This institute was mainly aimed at research into tropical agriculture in humid areas. It was not until 1981 when the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) founded a research centre near Niamey in Niger, that serious research into crops in semi-arid areas of Africa started. In Togo, research has been fragmented with many different ministries being involved. Some of the institutions involve in agricultural research are:

- Ecole Sup rieure d'Agronomie(ESA)
- Direction de la Recherche Agronomique
- Institut de Recherche en Agronomie Tropicale (IRT)

- Institut de Recherche sur le Café et le Cacao (IRCC)
- Institut de Recherche sur le Cotton et les fils Textiles (IRCT)
- Institut National des Plantes à Tubercule (INPT)

In the beginning, the research in Africa seemed to be conducted without much understanding of the real situations the farmers were working in.

Stations were sited on good soils, with easy access to water even in the dry season. These new varieties were usually selected and tested with fertilizer levels that farmers could not afford, and with high standards of ploughing, thinning and weeding that overworked peasants, mostly women, could not manage. (Harrison 1987:100)

Consequently, the results on the farms were far below the results achieved at the research stations. Many times the new "improved" seeds, which gave high yields at the research centre, performed worse than the farmers' own local varieties in village conditions. In most cases research concentrated on cash crops, which only makes up a small portion of the total agricultural output in Africa, including Togo. In other cases, research seemed to be totally misdirected:

The activities of certain national institutions do not seem to have been judiciously selected. For example, the INPT threw itself into research of potatoes and mechanized cassava farming, while the potato is not a staple food in Togo, and there is still no lack of arms in the country to plant cassava! (PECTA, 1985:193)

Of late, researchers have become more aware of their mistakes, and are now working hard on producing grains and cultivation systems that will do well in rural areas under conditions farmers live and work in. Emphasis is no longer on providing only good yield, but on providing stable yield even in years of poor rains. In maize, sorghum, and cow peas, progress in this regard had been made in recent years.

Still, most research is carried out by ITTA and ICRISAT, and a concerted effort to increase appropriated research in Togo itself is needed.

When it comes to extension work and popularization of new techniques and improved seeds, there is also scope for improvements.

5.2.3. Traditional Approach to Tackle Problems in the Rural Sector

Apart from the urban bias, there has also been a Western bias in Africa. Everyone tended to overvalue Western techniques, and look down upon African ones. When the Westerners looked at the things African farmers did, like shifting cultivation, intercropping and burning of the land, they condemned it out of hand. As European farming was more productive than African farming, they took for granted that all the African farmers had to do was to change over to the European approach and they would become successful. They failed to see that the condition of the land, the climate and the soil were completely different from Europe. They could not, or would not, try to understand why the African farmers did the things they did:

The first teachers of agriculture at African universities were Westerners, visiting experts were Westerners and the slowly expanding cadre of African experts perfected their training at Western Universities. Since Western agriculture was clearly more productive than the African one, it seemed logical that European technologies and approaches should be introduced: full scale mechanization, chemical fertilizers, mono-cropping. And as African small holders seemed to resist these innovations, governments came to see large scale state farms or large scale commercial holdings as the answer to their food problems. The Western bias blinkered programme designers and policy makers against the special character of African soils and climates, and the value of traditional ways of dealing with them. (Harrison, 1987:57)

As a result, the peasants were pushed to accept techniques and ideas that did not fit into their farming systems. Fertilizers were distributed that depleted the soil in the long term, or made it more acidic. In drier climate a moderate application of fertilizers can ultimately reduce yields. If the rains are bad, application of fertilizers may cause a greater loss than what can be gained if the rains are good. Given the unpredictable rainfall patterns in Africa, most farmers cannot afford this type of gamble. The same applies to hybrid seeds, which are generally very sensitive to adverse climates.

Even when tough, improve seeds have been introduced, they have not been calculated to fit into the farmer's yearly calendar. If the new seed yields even twice as much as other local seeds, but the harvesting falls under a period when other major farm work had to be done, then, due to seasonal labour shortage, there may be no-one to harvest it. Hence, the farmers rejection of many of the modern innovations are not always due to conservatism or backwardness, but due to careful economic considerations that are valid for the farmer.

The same top-down approach of imposing solutions without consulting the people who are the supposed beneficiaries, has been and still is one of the main reasons for the failure of rural development efforts. Whether it is co-operatives, training, credit, distribution of farm inputs or anything else, if the peasants themselves are not consulted, the programme will not work.

5.2.3.1. Attempts to Involve Peasants in Planning

Since 1981, the Government of Togo has tried to decentralize the planning system by creating regional planning bodies, the Directions Regionales du Plan et du Développement. More recently, the Programme de Développement Local et Participatif (PDLP), which aims at promoting small scale projects with local participation in the rural areas was introduced.

These both are attempts in the right direction, but in order to become effective, the programme needs to be stripped of much of its centralized bureaucracy so that the regional planning bodies will become more independent. From a PROUT point of view, the planning must go down as far as to prefecture level in order to really become a part of the lives of the peasants and not become yet another system to impose ideas from above (4.2.4.).

5.2.3.2. Other Government Programmes

In the Five Year Plan for 1991-1995, the Togolese Government has identified many important areas where improvement can and should be achieved in the production of both cash and food crops. For food crops, these include the development of traction animals, getting more youths into agriculture, forming village associations, small dams for irrigation, etc. However, if these and the other programmes should become successful, a closer association with the peasants in the rural areas will be required.

PECTA (1985:204) summed up its assessment of the government policies with these words:

In other words, the government's rural policies, even though they generally make good sense, suffer from a series of deficiencies which minimize their impact on the level of the peasants: lack of coherence, almost a total absence of any link between the world of the peasants and the identification and popularization of new innovations, and too much emphasis on cash crops.

5.2.4. Recommendations

5.2.4.1. Fundamental PROUT Reforms

In line with the programme of PROUT reform given in chapter 3, the main recommendations for managing rural development are as follows:

- The introduction of people's economy. This part of the economy will concentrate on providing full employment and producing all the basic necessities of life (3.1.1).
- Decentralize the planning process. To ensure a local participation in development efforts, planning should be decentralized down to prefecture level (3.2. and 4.2.).
- Develop the co-operative structure (3.4.1.).
- Emphasis on labour intensive agro- and agrico-industries in rural areas (3.4.2.).

These four reforms will tackle most of the problems in the rural areas. People's economy in Sarkar's terminology is the part of the economy which deals with the eradication of mass poverty, full employment for all, and the development of cottage industries. It concerns itself with the rural economy and agriculture. Training and popularization is also part of the people's economy. It is a major break from classical economic theories and could be seen as the economics of development in poor countries. (3.1.1.)

Decentralization of the planning process is also central to PROUT's economic system. Planning has to start in the small units and when these units are prosperous, the whole country will be prosperous. This is bottom-up development, as opposed to the normal top-down model. With decentralized planning, the main problem of rural development so far, i.e. inappropriate

techniques and schemes imposed from above, will be solved. Further more, it will ensure a participation of the local peasants in a way that is not possible in centralized planning. (3.2. and 4.2.)

Development of agricultural co-operatives is one of the most important solutions to the fragmentation of land and destruction of soil. Examples from Zimbabwe, Kenya, Burkina Faso and other countries, show that the sum of the whole is much greater than the parts. When people group together to help each other, they get much more done than if they would each be working for themselves. The problems with co-operatives in the past is the unpsychological approach and coercive methods used in introducing them. However, Africa has a long tradition of collective work and communal labour, to solve common problems in the villages. If one can build on this tradition and in this way increase the co-operative elements, full fledged co-operatives could gradually be introduced. (3.4.1.)

Revitalizing the old African system of having a group of villagers in turn help to plough, sow and harvest the crops of each member of the group can be the first step. As they start to realize the benefits of mutual co-operation, they may later consolidate their land holdings according to the principles explained on 3.4.1.1. An additional advantage with co-operatives and village groupings is that the popularization of new techniques is much easier. You don't have to send every farmer to the course (which they may not have time to attend), but simply each co-operative can select one person to attend, while the others continue the work in the villages. Access to credit is also easier for co-operatives than for individual farmers.

The introduction of agro (post harvesting) and agrico (pre-harvesting) industries in rural areas, will have several advantages. Agrico-industries will help to improve food production by supplying needed inputs, and agro-industries will prevent crop losses by processing and preserving the food.

This has traditionally been a women's chore, but the women are generally overworked and so a more scientific approach has to be taken. The introduction of these industries will also provide employment for the part of the rural population that is not directly involved in agriculture.

5.2.4.2. Other Specific Recommendations

In addition to these major PROUT based reforms, the PROUT Research Institute recommends that the following specific actions be taken:

- A coherent policy of rural credit should be developed. Saving and Loans societies and the traditional "tontines" should be encouraged, but these in themselves may not be able to supply all the credit needed for fast agricultural expansion. A system of credit developed in Zimbabwe, which has seen a dramatic rise in the productivity of its African farmers since independence in 1979, gives loans for the purchase of a pre-made packet of improved seeds and fertilizers for each hectare of land the farmer owns. The farmer is not given cash, but the money is supplied directly to the seed and fertilizer companies. As collateral the farmer puts up the future crop and the debt is deducted from the price paid for the crop after the harvest. It works well in Zimbabwe and taking into consideration local conditions in Togo, something similar may be tried.

Another important aspect could be to develop a system of rural banks, where people could deposit the money they get from their harvest. This could encourage savings, and could also be used to give out small loans for villagers.

- Ensure Realistic prices for all crops. If the food prices are too low, no matter what else is done, food production will stagnate. If it is not profitable, farmers will not introduce expensive seeds and fertilizers and spend time and money to protect the soil. Even farm prices that are higher than the world market prices could be justified, though this is a sore thumb for the IMF.

World food prices are artificially low due to massive subsidies given by the EEC and the US government to their farmers. Indeed the whole GATT talks that were recently held in Europe, fell through on just this one point. Why should the African farmer have to pay for subsidies imposed by the very governments who are the most vocal against "protectionism?" Has the European farmer more right to receive subsidies than African farmers? The ideal would be that all subsidies on agricultural goods are removed. Then the world prices of agricultural products would increase, and the African farmer could receive his own proper share for the food he is producing. But until such a time, African farmers will still have to receive reasonable prices for their goods, or we will jeopardize food production in the whole of Africa.

- Develop a research programme based on the needs and traditional farming methods of African Farmers. About the African farmer, Harrison (1987:73) comments:

Africa's peasants, in my experience, are among the most inventive and adaptable in the world. They have to be, because they are dealing with most varied and unpredictable environment in the world.

In other words, the techniques used for millennia in Africa, with shifting cultivation, burning fields, intercropping, etc. are appropriate responses to a particular environment and have helped to feed Africa for thousands of years. They can therefore not be discarded out of hand. However, what was appropriate in a situation of low population density may be less appropriate today when the number of Africans is rising sharply. There is not sufficient land for farmers to shift every year, and let the old land lay fallow. Hence new techniques and new technologies are imperative if Africa should be able to continue to feed its people. But these new techniques must be adaptable to the prevailing system of agriculture. Therefore, a new more enlightened type of research is needed, which is prepared to learn from the peasants as much as it is prepared to teach. By seeing what the peasants are already doing, and understanding the reasons why they do it, researchers can build on this information and develop new appropriate farming techniques and new improved seeds for the Togolese farmer.

- Labour intensive schemes for the construction of feeder roads and dams as a means to open up new land for farming. Though with proper farming techniques the yield per hectare of farmed land can increase, it is still needed to expand the area of land under cultivation. For this there are mainly two problems. One is the lack of roads to the fertile areas and secondly there is a lack of water for irrigation as many of the fertile areas are dry. It is therefore recommended that the government's programme of construction of feeder roads is extended to open up new land for cultivation. By utilizing labour intensive methods, money will be channelled into local areas. Workers could partly be paid in allocation of new farming land in the areas that are being opened up. On this new land, the peasants should be encouraged to co-operate with each other and finally start co-operatives along the lines described in 3.4.1.

In the same way labour intensive schemes for small dam construction should also be initiated. In both these cases, the work should be carried out in accordance with the recommended system of decentralized planning. Let the prefecture decide where they wish the new dams and the roads to be located.

- Continue the Government programme of providing bore-holes
- Provide security of land ownership to all peasants, including women. As long as the peasant does not have the ownership over his or her land, he or she will not bother to prevent soil erosion and the further degradation of the land. When the land is no longer useful, he or she will simply move on to another plot. By securing land ownership of particular plots, the farmer will have to stay on that plot, and hence will have to learn to take care of it by preventing erosion and putting nutrients back into the soil.
- Dissemination of low-cost and no-cost techniques which have high returns to labour, capital and land. These could include techniques that conserve soil, water and nutrients, and improve the fertility and structure of the soil. Dissemination of forestry and agro-forestry techniques and the introduction of small irrigation projects, and improved life stock management should also be encouraged. This is an important project for research and training institutes.
- At a later stage, introduction of low costs and moderate cost techniques that require a nation-wide distribution service. This could include improved varieties of seeds, both hybrid and open-pollinated; phosphate fertilizers; improved devices to reduce women's burdens; traction animals; biogas and herbicides.⁸
- Improve the supply of goods to farmers. Even when a farmer gets money, he often has no place to spend the money. Small stores supplying basic goods could therefore be established in villages. The more of the goods that are locally produced the better, to avoid a drainage of wealth from the rural areas.

5.2.4.3. Measures to Improve the Implementation of Reforms

To speed up the implementation of the above mentioned reforms and recommendations, the following additional recommendations are put forward:

- Training Institute for training of Extension Workers and Planners (4.2.6.). To materialize all the recommendations, it is needed that extension workers are properly trained and motivated. Most of these recommendations are concerned with the implementation of programmes at the grass roots levels, in direct co-operation with the peasants. The people who will be in direct contact with the peasants are the extension workers, and it is therefore necessary that they are properly trained and motivated and understand the renewed importance their roles have in the national development efforts. Also the planners at prefecture and regional level, must be properly trained for their task. See further 4.2.6. and 4.2.4.2.
- An increased role for the NGOs. This is another group that is directly involved with the peasants and therefore increased importance should be given to them. For details see 9.2.9.
- Motivation of Extension Workers. Apart from training, it is important that government extension workers are properly motivated and rewarded for their roles in the national development efforts. Only then will they give their best. For details see 4.2.7.

5.3. The Industrial Sector

5.3.1. Development of the Industrial sector

5.3.1.1. Industrial Investment and Growth

Throughout the first 5 year plan, 1966-1970, a total of 5 billion F CFA was invested into the industrial sector. From there the amounts invested rose heavily and by the third 5 year plan, 1976- 1980, a total of 105 billion F CFA went for industrial development. This is an increase of 2,000%.

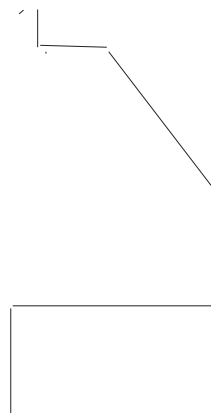
The biggest part of the increase came after 1975, with the rise in phosphate prices. The government decided that the best way to develop the economy and accelerate economic growth, was to invest the new profits in industrial growth. In spite of agriculture having been declared their 'priority of priorities', industry and infrastructure therefore received by far the heaviest investments, together taking up over 80% of the available funds. This was 20% more than what had been envisioned in the 5 year plan. On the other hand, rural development, which in the plan had been allocated 20% of the investment, in fact got only 7.2%. Social services, which had been earmarked for almost 13%, received only 3.8%. (See graph 9 and 10).

In spite of this heavy investment in industry the sector's contribution to GNP has not risen proportionately. From contributing 26.2% of GNP in 1978, it fell to only 19.2% in 1984 and after that rose only moderately, reaching 21% in 1989. One of the main reasons of the drastic fall from 1978 to 1984, was the fall in demand and price of phosphates. If we exclude the mining and construction sectors, then the contribution from the remaining industries was only 8.1% in 1978. After a modest rise during the period of heavy industrial investment, it fell again in 1984, and grew slowly to reach 9% of GDP in 1989. More than 1/3 of this industrial output came from food, drinks and tobacco. If we compare this with the agricultural sector, which received much less inputs, we find that its contribution to the GNP has steadily increased, from 26.6% in 1978 to 33.9% in 1989. (See graph 11.)

5.3.1.2. Geographical Location of Industries

Graph 9: 76-80 Plan (Budgeted)
250.6 Billion F CFA

Graph 10: 76-80 Plan (Realized)
282.7 Billion F CFA



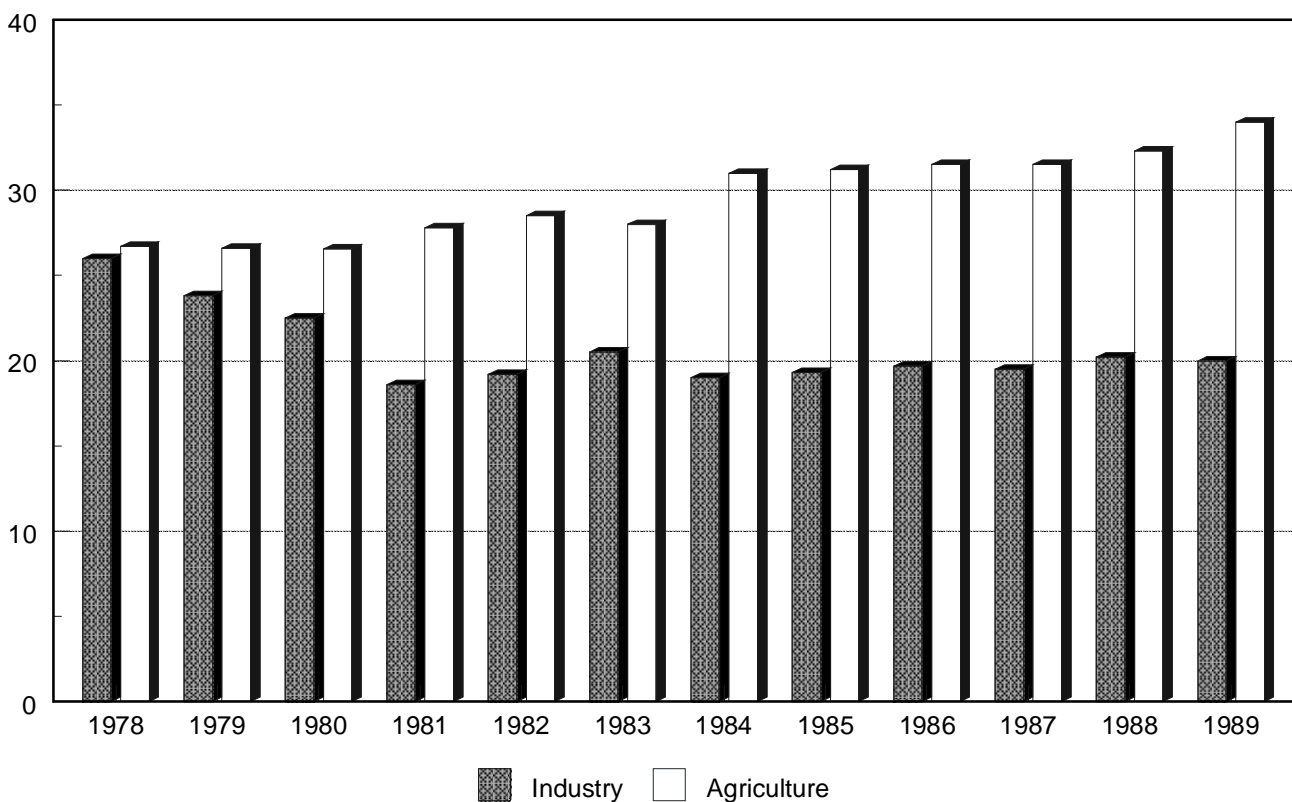
Most of the industries are located around the growth pole of Lomé with 86% of all industries being located in the Maritime Region in 1979. Efforts by the government to spread industrial development to other regions have so far been unsuccessful. In 1982, the number of employees in industry were divided like this: Maritime Region 90%, Plateaux 7.7%, Centrale 1%, Kara 1% and Savanes 0.5%. (See graph 12)

5.3.1.3. Concentration on Large Units of Production

As well as a geographical concentration, there is also a trend towards big units of production. The 16 biggest companies in 1982 employed 75% of the work force, while small industries (20 or less employees) which made up 75% of the number of

Graph 11: Growth of the Agricultural and Industrial Sectors:
A Comparison

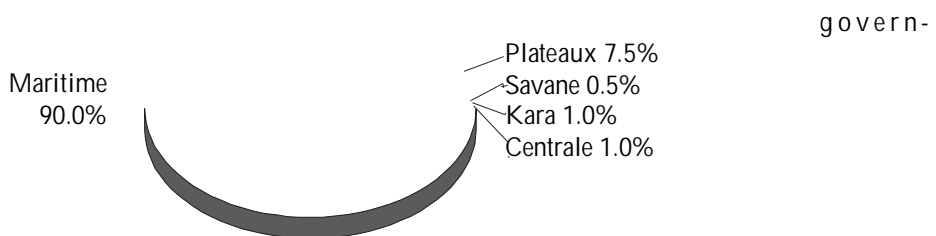
Percentage of GNP



companies, employed only 7% of the work force. In the same line, the salaries paid by the largest company amounted to 15% of total salaries, while the 67.3% smallest industries were responsible for only 5% of the total salary amount.

As was mentioned earlier, most huge capital intensive projects were inspired from abroad, and implemented on the basis of poorly done feasibility studies. Their nature were such that they did not favour an industrial interdependence where the output of one industry becomes the input of another. Most of them were not viable and survived solely on subsidies from the

Graph 12:
Regional
Distribution of
Industrial
Employment



ment. SNS, with an installed capacity of 20,000 tons of steel per year produced only 7,670 tons in 1982 and had already by 1980 accumulated debts of 3 billion F CFA. STH, with a capacity to refine 20,000 barrels of oil per day, could only dispose of 10% of its production locally, and the rest had to be sold on the international market. Between 1978 and 1981 it was operating only 63% of the time and utilized only 36% of its capacity. By 1980 it had accumulated 6 billion F CFA worth of debts (US\$24 million at current exchange rate) and was later closed down, Hôtel du 2 Février, a luxury hotel in the heart of Lomé, costed 35 billion F CFA to build, and needed an 80% occupancy rate to break even. However the actual rate of occupancy was only 19% and the losses have been massive. The opportunity cost for the government is estimated in 1980 to 10% of total government revenue. (PECTA 1985:231)

These large industries did little to further the overall industrialization of Togo, and became isolated high-tech islands, in a sea of underdevelopment.

5.3.1.4. Small and Medium Scale Industries

Small and medium scale industries have so far had a limited role to play in Togo. It is responsible only for 4.8% of total employment. They are less capital intensive than large scale industries, but in general the value added is high. Their productivity seems to be comparable to small and medium scale industries in other countries and just slightly lower than big industries.

Most of these industries have a hard time financing their activities as banks usually consider their management deficient. With the government's open door policy, small industries also have had to compete with imported goods. The Togolese market is also small, and this is a major obstacle for domestic industries. The system of sub-contracting, which is widely developed in for example Japan, is almost unknown in Togo. Sub-contracting is a very good opportunity for small scale industries, which can supply part of the items assembled by larger industries.

There are, as we can see, several factors which have limited the growth of small and medium scale industries in Togo. However with Togo's tight financial situation and its heavy debt burden, these industries may become the main source of economic growth in the future, as the possibilities for new large scale capital intensive projects are very limited.

5.3.1.5. High Dependence on Imported Raw Materials

Most Togolese industries are heavily dependent on imported raw materials. Even the steel works in Togo is importing iron, though there are huge untapped deposits of iron ore in the north of the country. In developed countries, a big percentage of the industrial output goes back into industry as intermediate goods used by other production units. This practice is poorly developed in Togo. Instead all inputs, raw materials as well as intermediate goods, are imported.

Industries that are processing food and drinks depend on local materials and they are performing very well. Still the textile industries are importing yarn, while the country is exporting cotton! This dependence on imported raw materials has caused a serious strain on the balance of payment situation of the country as a big portion of imports have gone to raw materials, intermediate goods and expensive machines. (3.4.4.1. and 3.4.4.2.)

5.3.1.6. Non-Utilization of Local Raw Materials

The other side of the coin is that local raw materials are exported without processing. Here the industry has failed to come forward. All major exports such as phosphates, cotton, cocoa and coffee which are now being exported raw could be processed. In addition, there is much scope for an increase in the processing of agricultural products apart from cash crops. This is an area which is not sufficiently developed.

5.3.1.7. Production of Essential Commodities

Most industries in Togo, as well as most imports, are not geared towards satisfying the needs for essential commodities of the common people, but to provide goods for the privileged elite. With an increase in producer prices for food and increased economic activity in the rural area, a great demand for consumer goods would probably follow. This would open up the possibilities of making the production of essential commodities profitable.

5.3.2. Industrialization and Employment

5.3.2.1. Basic Data on employment

Salaried employment in the modern sector engages only 7% of the active population. Out of these, about half are government employees. Industry makes up approx. 20% of total employment in the modern sector. Out of these the biggest 16 companies employ 3/4 of the employees and small scale industries employ only 5% of the industrial work force (5.3.1.3.). Almost all the employment opportunities are centred in the Maritime Region with a few industries in the Plateaux Region (5.3.1.2.).

From these facts we can see that the contribution of industry to employment is concentrated in a few large, often loss making, capital intensive companies. As the creation of new jobs is one of the most important tasks at the moment, serious thoughts have to be given to the future industrial policy and see how it can be integrated into a wider policy of job creation.

5.3.2.2. Capital Intensive Industry and Employment Opportunities

It is estimated that in Togo 80,000 youths enter the labour market every year. In the USA today every new job costs around US\$20,000 to establish. Some of the projects established in Togo were even more capital intensive. L'Hôtel du 2 Février, for example invested 56 million F CFA (approx. US\$170,000) per employee. STH invested 64 million (approx. US\$213,000) per employee, SOTEXMA 14 million (approx. US\$47,000) and TOGOROUTE 8 million (US\$27,000). Even if we invest only US\$5,000 per job with 80,000 new job seekers every year we would need an investment of 400 million US Dollars just to create new jobs! This is roughly 120 billion F CFA at 1989 exchange rate and approx. 28% of GDP in 1989. If we invested US\$20,000 per job, we would have to spend 112% of the GDP just for job creation alone.

This is clearly not feasible. For maximum utilization of available resources, there must be a change towards labour intensive schemes away from huge capital intensive projects. Would this cause a loss of profitability and productivity? Probably the reverse. It is the big capital intensive projects that have been unprofitable in Togo and the smaller ones that have done fairly well.

5.3.2.3. Choice of Technology

In Africa, there has usually been a tendency to import the latest most modern and expensive technology even if this technology was inappropriate to local situations, impossible to maintain due to lack of spare parts and expertise and overall less profitable than cheaper technologies.

Studies by the David Livingstone Institute of Strathclyde University have found that labour intensive and locally based technologies were usually more profitable in developing countries than capital intensive ones. In one particular study by Huq (1981) of the leather manufacturing industry it was found that European Capital Intensive Technology would always be ruled out if the technology choice was based on either profitability or employment objectives. Yet this is the technology that was usually adopted in Togo. LDC (Less Developed Country) Technology was ruled the best for small scale manufacturing and European Least Cost Technology was otherwise the best choice. However, if Least Cost Technology was hard to find, European Labour-Intensive Technology was the best choice for large scale manufacturing.

If any Third World country has to import technology from Europe and Least-Cost Technology is not available, the Labour-Intensive methods are therefore generally preferable, both on profitability grounds and on employment grounds. Yet capital intensive technologies have almost invariably been imported.

5.3.3. Recommendations

The PROUT Research Institute makes the following recommendations for industrial policy in Togo.

- Base local industry on locally available raw materials. In particular the following specific areas should be researched:
 - The textile industry. PROUT suggests a total integration of the textile industry from producing cotton seeds to manufacturing clothes for export. The value added on the cotton itself is very small and its prices vary unpredictably on the internal market. However the price of finished cloth and clothes do not vary much and the value added is much higher.

Even the production of gray material, i.e. the unbleached, undyed, raw cloth is very unprofitable and the price is so low that it only covers the cost of the cotton inside.

- ☐ The phosphate industry. The future of phosphates on the international market is fairly bleak. The prices are depressed and the demand quit low. At the same time, most soils in Africa are deficient in phosphates. Modest applications of phosphate fertilizer has had spectacular results in the increase of crop yields. Whereas urea and some other fertilizers tend to acidify the soil, and destroy it in the long term, these risks are much less with phosphate fertilizers. Harrison (1987:111) writes:

Perhaps the most promising addition is phosphate fertilizers. Quite modest applications can produce spectacular yield increases. The reason for this effect may be that phosphates which are deficient in most African soils, stimulate root development. Deeper roots allow plants to exploit deeper moisture levels, and therefore act as a protection against drought, or dry spells within the growing period. In Niger, for example, an application of only 15 kilos of triple superphosphate doubled millet yields from 0.55 to 1.1 tonnes per hectare. A mere 10 kilos per hectare tripled the yield of cow peas. The effect of one application persists. The year after the application, cow pea yields were still double those of untreated plots. The Niger farmers who took part in the trials applied phosphates to 5 percent of their land. They were so impressed with the results that within three years they were applying phosphates to 60% of their fields, all on their own initiative...

In Sub-Saharan Africa, Togo is the only major producer of phosphates. It has therefore a unique position, as all of Africa will have to turn towards agriculture to boost their food production. Phosphate fertilizers will therefore be in great demand in the years to come. With this background Togo should seriously investigate the possibilities of processing its phosphates into phosphoric acid and then further into fertilizer, which could be exported to other African countries. Though these types of industries are traditionally capital intensive, studies ought to be made if they could be made more labour intensive and if local resources could be used in their establishment. The previous studies on a phosphoric acid plant showed that the project would be very expensive and its profitability questionable. A new study ought to be done, to find out if alternative technology more appropriate for the financial constraints and the unemployment situation in Togo could be introduced or invented.

In the previous study, the profitability of the operation was calculated on the export of phosphoric acid. However, a new study ought to be commissioned to see what the profitability would be if the phosphoric acid is finally processed into fertilizer. Also, it is recommended that an additional study be commissioned to find out which other products apart from fertilizers could be locally produced with phosphoric acid as raw material. If the production of phosphoric acid could spur the creation of a series of secondary industries, then both employment opportunities and economic growth could be encouraged. Some of these industries, like the production of toilet bowl cleaners using phosphoric acid, would not be very capital intensive, and could be handled by small scale co-operative industries (See 3.4.5.1., 3.4.5.3. regarding key industries and co-operatives. Also see 3.4.1 on the utilization of local raw materials).

With the establishment of a phosphoric acid plant, there is also the option to produce STPP (Sodium Tripolyphosphate), which is a major ingredient in all detergents. It is currently being imported by most African countries for their detergent industries. It is so vital, that it is the 47th most important chemical in the USA in terms of volume produced. The technology is fairly simple, involving the combination of phosphoric acid and sodium carbonate.

If, in the initial stages, a phosphoric acid plant cannot be financed, there is still the option to produce Single Super Phosphate as a fertilizer. It works as well as the Triple Super Phosphate, with the exception that it needs to be applied in greater quantities. Single Super Phosphate can be produced in small scale directly from rock phosphate with the help of sulfuric acid.

- ☐ Coffee and cocoa. There is also scope for processing the coffee and cocoa beans before exporting. It is an interesting fact that Togo exports coffee beans to France and then buys ready packaged roasted coffee from France, which has no coffee production of its own. Surely the technology to roast and grind coffee exists in Togo? At the present, the price France pays for one ton of coffee beans can only buy a few packets of the imported 'French' coffee once it appears in the supermarkets in Lomé has banned the exportation of unprocessed beans.
- ☐ Other agro-industries. With an increase in the agricultural sector, (the fastest growing sector in the Togolese economy), there is also a great scope for the increase in agro-industry. Processing of food is already a flourishing sector in Togo, and there is an opportunity for substantial increases here. Research should be

done into the possibility of establishing small scale food processing plants on a village and regional basis, that use low-cost intermediate technology and labour-intensive methods. Traditional food processing techniques, like gari making and drying of okra should also be investigated and easily perishable goods like tomatoes could be processed into juice and paste.

- Base future industrial growth on labour intensive techniques wherever possible. With Togo heavily indebted and unemployment rising very quickly, the chances of raising the amount of investment to create new jobs for all job seekers using capital intensive methods are non-existent. (5.3.2.2.) Furthermore, labour intensive techniques have usually proved more profitable in Third World countries so no negative consequences from this standpoint can be expected from labour-intensive techniques (5.3.2.3.). For the establishment of certain key industries (3.4.5.1.) capital intensive methods may still have to be adopted. One case when this approach should be used is when it is the only option to process local raw materials which cannot be processed through any other method.

As an example we can take the proposed phosphoric acid plant. If further studies reveal that there is no possibility to produce phosphoric acid with the help of less capital intensive techniques, then capital intensive techniques it will have to be. It will then be of utmost importance to plan for the establishment of a series of other industries which preferably, and when possible, are less capital intensive to utilize the phosphoric acid and turn it into final products.

- As a consequence of establishing labour intensive industries, new types of low cost technologies will have to be adopted. There are many advantages from this.
 - First the cost of the importation of machinery will go down.
 - Secondly the need for qualified expatriates to maintain the machines will be reduced.
 - Finally the instances of production stoppages will be reduced as spare parts could either be obtained or manufactured locally and local technicians could maintain and repair the machines.

See Also 3.3.4.3., 3.3.4.4. and 5.3.2.2.

- Increase the geographical spread of industries. With capital intensive technology, industries have not much other choice than to concentrate their production in growth poles, where all communication, electricity and other facilities are available. When the industry is heavily dependent on imported machinery, expertise and raw material, they also have no choice but to locate near a port. However, with a decentralized planning system (3.3. and 4.3.) using intermediate technology and labour intensive methods (3.3.4.3.) and concentrating on smaller units of production, a decentralization of industries does not only become possible, but may be even advantageous for the industries. In particular if they are making use of the local farm produce or other raw materials, or are producing basic goods for the local community.
- As the purchasing power of the rural population grows due to higher yields and higher producer prices, industry should be redirected towards supplying basic goods to satisfy needs for the majority of the population.
- Increase the industrial linkage. More industries should be established that produce products that can be used in other industries, instead of importing all intermediate goods.
- Favour a system of sub-contracting. In such a system, small units of production could be sub-contracted to supply specific items needed in a more complex industry. This would favour artisans and small scale business and could provide more employment opportunities.
- Establish a research centre for labour intensive and low cost technology.

5.4. The Informal Sector

According to PECTA (1985:29) the informal sector can be defined as:

A number of activities related to the production of services and business, realized in a small scale with few paid workers and relatively little capital.

With such a definition there is no clear line between the informal and the formal sector.

5.4.1. Scale and Importance of the Informal Sector

The informal sector employs around 20% of the active population in Togo, and, according to ILO estimates, contributes roughly 20% of GDP (PECTA 185:266). However, as there are no accurate records kept by most entrepreneurs, no exact figures can be presented, and often much of the economic activity goes unrecorded. The rate of growth of employment opportunities in the informal sector is estimated at 2.6% per annum.

In the informal sector, 70% is made up by commerce and trading, and 30% in manufacture, services, and construction. In Lome, 16% is engaged in manufacture, 11.5% in services (mainly auto- mechanic), and 1.5% in construction. (Ayassou 1984, and PECTA 1985).

The income of entrepreneurs and employees in the informal sector seems fairly remunerative, with only 17.5% of the entrepreneurs getting less than minimum wage. Employees with more skill seems to be appreciated, and receive higher salaries than uneducated workers. But there are also great differences between the small scale operations and the large ones. A small street trader may only make 2,000 F CFA per week, while on the other end of the scale, we have a dozen or so big traders (the so called "Nana Benz") who have a turnover of between 500 million and 1 billion F CFA per year (around US\$1.5 to 3 million).

On the other hand, the informal sector involves much unpaid labour, in the form of apprentices and family members. In a study in Dapong in 1983, apprentices were most common in the manufacturing sector, where they make up half of all manpower, and least common in the commerce sector, where only 10% of the work force were made up of apprentices. In both the service sector and the construction sector, apprentices made up roughly 40% of the workforce.

For the employment of family members, often children, the situation was the reverse. The highest percentage was found in the commerce sector (73.4%), while the manufacturing sector relied to 21.2% on family members, the service sector to 29.9%, and the construction sector only to 3.6% of the total labour force. (Lefebvre, 1983)

The informal sector also made use of a high percentage of locally available raw materials, as opposed to the modern sector which used almost exclusively imported raw materials.

In conclusion, we can say that the informal sector is extremely important for several reasons, i.e.

- It provides employment for 20% of the active population;
- It provides goods and services at prices much lower than the formal sector, and out in the rural areas where the formal sector has not penetrated; and
- it serves as an intermediate step between the rural economy and the developed modern sector.

5.4.2. Difficulties of the Informal Sector

There are several constraints of the informal sector. The main ones can be listed as follows:

5.4.2.1. Artisans

- Lack of managerial skills. Many entrepreneurs have little or no formal education, and have therefore little capacity for effective management of their enterprises. As a result, they are often not calculating the true value of their goods and services, and end up getting too low prices. Many artisans cannot calculate a simple mark-up, or properly estimate the cost of their production.
- Low rate of re-investment. Although the capacity to re-invest into artisan businesses exist, the rate of such investment is very low. In many cases it does not even cover the cost of the depreciation of capital. This can also be seen as another example of poor managerial skills.
- Little access to lines of credit. Though this is perceived by many entrepreneurs as a major problem, an increased inflow of credit without proper safeguards may have the undesirable effect of reducing already low levels of private savings and replace them with external credits.

- Most artisans are poorly equipped, especially in the rural areas.
- System of training apprentices. Though apprentices get practical training, the theoretical aspects are mostly neglected. Many masters are more interested in getting free labour than to teach out their skills. Even the master's knowledge of the theoretical side of his trade is usually limited, and his knowledge of management and accounting usually very poor. Also, as the skills are learned by an apprentice from a master in several lines, the knowledge usually fails to keep up with modern developments of new techniques and methods. All this means that, though the apprenticeship system is a very important aspect of the artisan community, it provides only a partial education.

5.4.2.2. Traders

- Lack of space in the markets. In the main city centres, the markets are generally over crowded, and new vendors have difficulties finding space to trade. This problem is especially bad in Lomé.
- Physical condition of the markets. Most of the markets are dirty, without sufficient toilet facilities, and without drinking water. There is often no shade to protect against the scorching sun, and there is insufficient space to store the goods during the night. 40% of the traders bring the goods home and store them in their houses every evening.
- Lack of credit facilities.
- Many middlemen between producers and sellers. It is estimated that the goods from the farmers pass as many as five middlemen before it reaches the consumers.

5.4.3. Recommendations

The informal sector, and in particular the artisans, play an important role in the development of the PROUTist concept of People's Economy (3.1.1.). As we have seen, People's Economy constitutes a decentralized economic structure, with the primary functions to:

- 1) provide essential goods to all people.
- 2) provide full employment. Apart from the agricultural sector, the informal sector is much closer to filling these objectives than the formal sector.

However, if the informal sector at its present state can be considered a starting point for People's Economy, it is still in a very underdeveloped stage, and much is yet to be done before it can play its full role in the economy. The PROUT Research Institute therefore make the following recommendations for the development of the informal sector.

- Improvement of training for artisans, especially in the fields of new techniques and management. A decentralized training programme for introducing new techniques and managerial skills to artisans in each prefecture ought to be implemented. This can be done in co-operation with the prefecture level planning committees (4.2.4.). Artisanal and managerial skills could also be introduced in formal education along with traditional subjects (5.6.).
- A coherent plan for the development of artisans. There is a great concentration of artisans of a particular type in particular areas and regions. With a decentralized planning, efforts should be made to increase the geographical spread. In making plans for the training and development of artisans, attention should also be given to the demand of the final products, to avoid over production. This too can be effectively tackled by decentralized planning. In order to make the correct decisions, however, the planning has to be based on sufficient statistical material.
- Introduction of intermediate technology for food processing, black smiths, simple manufacture, etc. (3.3.4.3.). With improved tools, the artisans can increase their productivity and their income.
- Encouragement and strengthening of existing centres for the development of artisans, such as the Artisan Village in Lomé, the centres for the handicapped, especially in Kara region, the handicraft centre in Kpalimé, and so on.

- Introduction of an appropriate credit scheme for artisans. This could be in forms of tools or other inputs, with the condition that the artisan first saves up a certain amount (to encourage individual savings). This credit could be handled by local savings and loans associations, rural banks, or other nation-wide institutions. It is always preferable though, if savings and credits are encouraged locally.

5.5. The Togolese Debt Crisis

In our review of the Togolese economy, we traced the causes and the growth of the Togolese debt (5.1.2.). As we can see from graph 6 and 7, the growth of the Togolese debt was rapid between 1979 and 1980, and has continued to grow since. By 1985 the total debt had reached 132% of GDP. On the other hand, debt servicing as percentage of exports reached its peak in 1982 with over 50%, but has since gradually declined back to below 30%. (Graph 8.) This is still much higher than what it was in the seventies, and the debt continues to impose a heavy burden on the country.

The reason the debt servicing ratio has reduced even while the debt has remained high, is because of successful attempts by the government of Togo to reschedule the debt on better terms. The terms of external public borrowing in 1985 were very favourable, with an average interest rate of 0.8%, a grace period of 10 years, and a maturity of 49 years. (World Bank, 1987:240). These are among the most favourable terms for any country in the world. Only Tanzania (0.5%), Sierra Leone (0.6%) and Somalia (0.7) had better average interest rates, and only Sudan (50 years) had a longer maturity for its fresh loans. The percentage of concessional loans in the total debt increased from 46.6% in 1985 to 66% in 1988.

5.5.1. Past Suggestions for Handling the Debt Crisis

While, as was remarked in chapter 3, it is not possible to solve the debt crisis unilaterally by single debtor nations, some measures have to be taken to contain the debt until an international solution can be reached. Here we will discuss mainly what Togo from its inside can do to manage its debt. For more comprehensive solutions to the debt crisis, see 3.10.

The following suggestions have been put forward at different times for the managing of the debt.

- strict management of the debt, budgetary expenditures, and external economic transactions,
- attempts to have loans turned into grants,
- rescheduling the debt on more favourable terms with lower rates of interests,
- to take fresh loans only when other forms of financing is impossible to obtain,
- the automatic investment of loans given, but not yet utilized, in short term financial instruments to accrue interest which can be used towards the payment of the debt,
- the allocation of a small percentage of loans of non-commercial character (such as IDA loans) for investment in the financial market, to generate funds to help in the repayment of the original loan.

5.5.2. Recommendations

Apart from the pursuance of the international option to solve the debt crises (5.10), the PROUT Research Institute recommends the following measures,

- No future loans should be taken for other than productive projects. For example, it might be productive to borrow money for the laying of railway lines, but it would be unproductive to use borrowed money to make big railway stations. Once the railway is making money, facilities at the railway stations can be improved from the profit of the railway.
- The government should continue to pursue a policy of rescheduling the debt on more favourable terms.
- In the case of new financing needs, Togo should try to get grants rather than loans. If grants are not obtainable, the government should try to get concessional interest free loans.
- Capital intensive development should be avoided. so the available funds can be used more profitably. For this labour intensive intermediate technology for industry and agriculture should be used.

- Use funds for the popularization of appropriate techniques and the development of human resources. This will take little capital, and can give spectacular results.
- Concentrate on a bottom-up development model, which will increase economic growth without heavy investment requirements.

5.6. Education, Health and women

The Structural Adjustment Programme, which has been in force during most of the 1980's, has affected the poor hardest. The increase in unemployment has caused a massive loss of income for many families. For those who managed to keep their jobs, the cost of living has increased faster than the increase in salaries. At the same time, producer prices for food has steadily declined in real terms. This has caused an increase in the instances of infant malnutrition, while the rate of children attending primary school has gone down.

Realizing this problem, the Government of Togo in its five years plan expresses a wish to:

maintain a satisfactory level of investment and production to guarantee a long term recovery, while reacting as quickly as possible to restore the living standards of the Togolese population to acceptable levels, especially for the worst affected groups, and guarantee in the long term the integration of all people in the processes and mechanisms of economic growth. (DGPD 1990a:57)

The areas pin-pointed by the government as priority for action are

- ☒ employment and income,
- ☒ nutrition,
- ☒ health,
- ☒ education,
- ☒ integration of women in the process of development,
- ☒ and the social habitat.

5.6.1. Education

5.6.1.1. General Information

Apart from a general decline in the levels of school attendance in the 1980s, there is also a great disparity between the cities and the country side as well as between the different regions. While 79% of children of school going age attended primary school in the Maritime Region, 53% attended in Kara, and only 29% in the Savane Region attended. Women are also disfavoured. Out of every 1000 boys attending primary school, only 629 girls were attending. (See graph 13.)

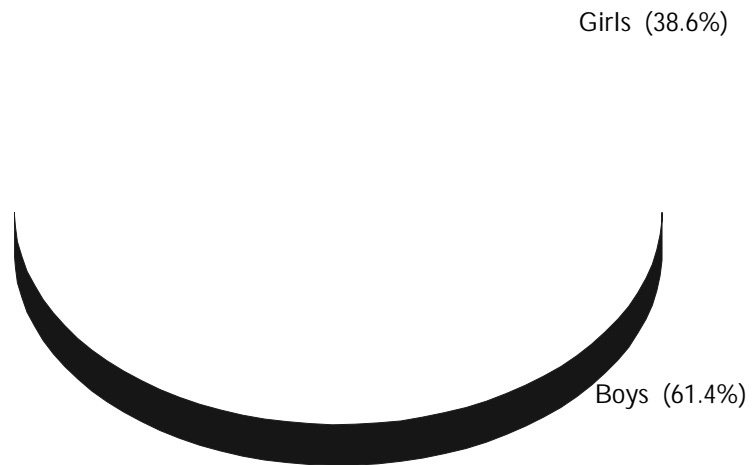
Another problem is the low rate at which children in primary school continue to secondary education. Only 16.5% of students entering primary school continue to secondary school. A big problem is the final exam at the end of the first six years, which most children find hard to pass. Many children have to repeat years of their schooling, and many drop out altogether.

Only 2% of the children make it to enter university or equivalent. Yet, 28.1% of the educational budget goes to the universities, while primary schools which has over 70% of the children of school going age, gets 38.5% of the budget. This means that university education is comparatively expensive.

5.6.1.2. An educational system Inappropriate to the needs of the labour market and the Demands for Skills in the country.

Over 70% of the Togolese population are farmers, with the need for certain skills and knowledge. Yet, the primary education is not very well suited to supply these skills. Rather, we find that primary school prepares the pupils for further education, which only a very small percentage can enter, or for simple jobs in the modern sector, which even fewer pupils have any chances of getting.

Graph 13:
School Attendance
by Sex as
Percentage of
Total Student
Population



Even those who complete their education and graduate from a university still have a hard time to find jobs. Since the government ban on new employees only a small number of graduates can find employment. Previous to the ban, the government employed more than half of all new graduates. Even in the private sector, due to the financial austerities, the demand for labour is low.

A complementary education is the apprenticeship system. It is practical in its approach, and aims directly at teaching specific skills that the apprentices would need to start work by themselves. However, this training also suffers from certain shortcomings, such as:-

- ✘ limited theoretical education,
- ✘ poor pedagogic standard of the master,
- ✘ lack of introduction to management skills,
- ✘ poorly equipped workshops, and
- ✘ lack of new techniques, as the apprentice only imitates what the master knows, with no input from outside.

5.6.2. Health

5.6.2.1. Food and Nutrition

Infant malnutrition is quite common in Togo. 26.8% of all children under 3 months suffer from chronic malnutrition (height in relation to age), and 2.6% suffer from acute malnutrition (weight in relation to height). As with most other statistics, there is great differences between the regions. While acute malnutrition is only 1.8% in the Maritime region, it is as high as 23.7% in the Savane Region. Chronic malnutrition stands at 24.5% in the Maritime Region, 34% in Kara, and 41.8% in the Savane Region. (See graphs 14 .)

The malnutrition problem is largely a seasonal problem, with the situation worsening in the dry season, when food is scarce.

5.6.2.2. Medical Care

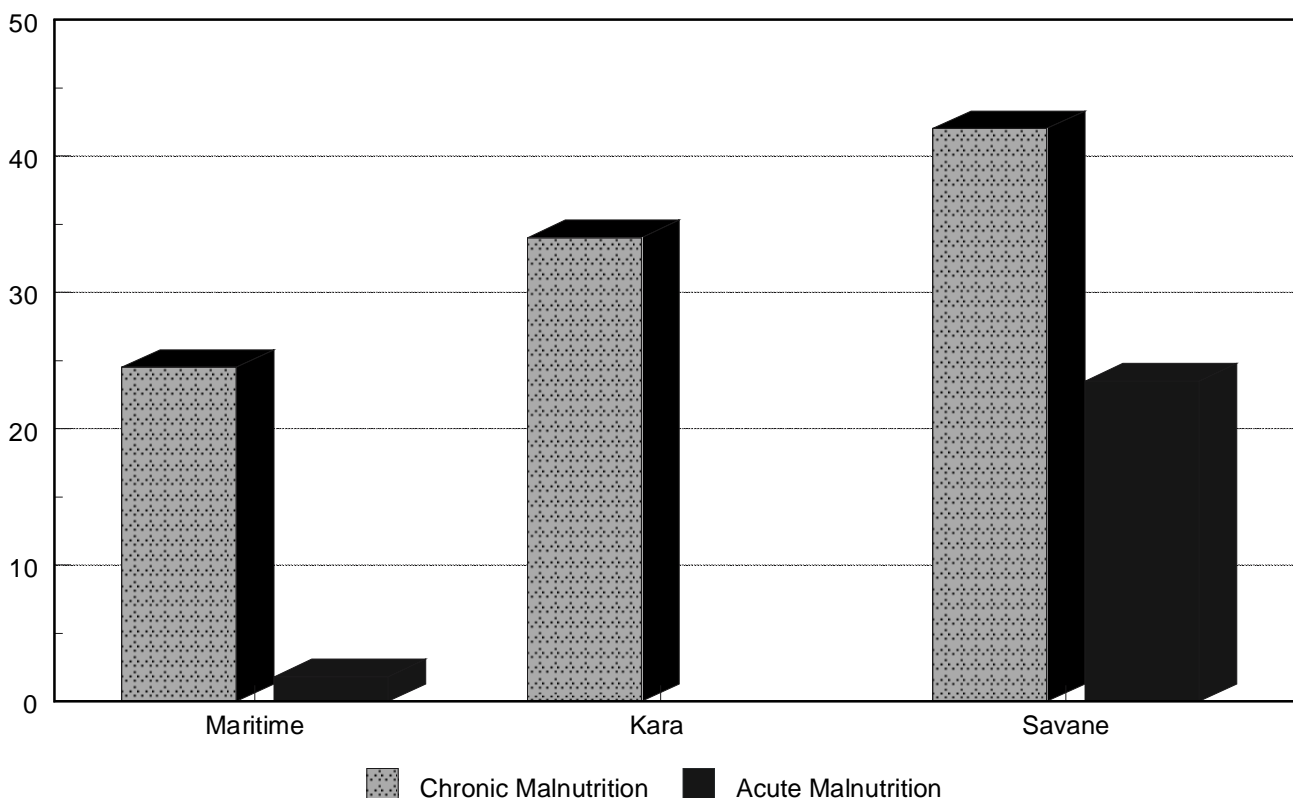
The government's expenses on health has increased at current prices from 1970 to 1988, but both in real terms and as a percentage of the government budget it has decreased. In 1970 the Togolese government spent 7.2% of its budget on health, while in 1988 it had been reduced to 5.2%. The number of people per doctor decreased regularly up to 1983, and then increased as a result of the economic crisis. Yet, in 1988 there were 12,539 people for each doctor, as compared to 1974 when the figure was 18,100.

Togo has got two University Teaching Hospitals, one Regional Hospital for each region, and one secondary hospital for each prefecture. 40% of the health budget goes to the 2 University Hospitals, and 30% is allocated to the remaining hospitals. This leaves very little for the Primary Health Programme, which is the health care system which affects most people. As in all other cases, the urban areas are better covered than the rural ones, and the regions with a larger urban population are better covered than the regions with a predominantly rural population.

Medicine only made up 8% of the health budget in 1986. Out of this 80% of the population received 10% of the medicine, while the privileged 20% used up 90%. 65% of pregnant women did not have access to prenatal care, and 80% of deliveries are still taking place at home.

Graph 14: Regional Distribution of Acute and Chronic Malnutrition

Percentage of children under 3 months of age



5.6.3. Women

Women in rural Africa do most of the work. It is estimated that they do 70% of the hoeing and weeding, 60% of the harvesting, 80% of the transportation of the crops and storing them, and 90% of the food processing. (Harrison 1987:60) They are also responsible for 100% of the fuel wood collection, 100% of water collection, plus the rearing of children.

Still, socially, economically, and educationally, they are worse off than their male counterparts. While 70.4% of all boys go to school, only 53.5% of the girls do. In the modern sector, only 10.6% of the employees are women, and in the public sector the figure is 21.9%.

In rural areas, though women do the most work, they only own 4.5% of cultivated land. Furthermore, the average plot of women is only 1/3 of the size of an average plot for a man. Women have also much more difficulty than men to get credit.

5.6.4. Recommendations

5.6.4.1. Education

- Set up new goals for the educational system in line with the needs of the country. some of these could be:

Lower Education: Include in the new curriculum:

- ☒ Literacy,
- ☒ Agricultural techniques,
- ☒ Atisanal skills,
- ☒ Soil conservation, etc.

Higher Education. The emphasis should be on teaching out skills needed in a decentralized economic system, where people have to use their knowledge to come up with new appropriate small scale solutions to indigenous problems. Therefore, initiative, innovation and independent thinking is as important as mere book knowledge. Some important aspects are:

- ☒ Technical skills,
- ☒ Appropriate intermediate technology,
- ☒ Management of small scale businesses,
- ☒ Co-operative management,
- ☒ Appropriate agricultural research,
- ☒ Self-help, etc.

5.6.4.2. Food and Nutrition

- Improve the capacity of storage of food in the villages. In this way people will have enough food in the village during the dry season.

Sometimes villagers just after harvest find that they desperately need to sell some of their crop to pay off their loans or for other reasons.

The produce is bought up by middlemen at low prices. Then in the end of the dry, when food is scarce, they sell the same crops back to the villagers at high prices. To change this, co-operative structure to buy up the grains from the village could be established. The grains would then be stored and sold back at cost price or with a slight mark up to the villagers when they needed it. This could also help to improve the amounts of food available during the end of the dry season.

- Nutritional Education. Malnutrition is highest among the children of women without Education. The more educated the mother is, the less are the instances of infant malnutrition. Therefore, it is not only a lack of food that causes malnutrition among children, but a lack of understanding among mothers of what their baby needs. Therefore, a programme to educate young mothers in the nutritional needs of their children should be initiated.

General improvement of the economic situation in the villages through the introduction of People's Economy. (3.1.1. and 5.2.4.)

5.6.4.3. Health

- More emphasis on Primary Health Care and education. (Prevention is better than cure).
- Training of traditional mid-wives.
- Research into local pharmaceutical plants.
- Introduction of alternative types of medicine. This must not be seen as an alternative to allopathic medicine, but as a complement which in certain instances may be cheaper and equally effective.

5.6.4.4. Women

- Legal rights to women. Many times women are still regarded as minors under the control of their fathers or their husbands. Appropriate legal reforms should be introduced to safeguard the legal status of all women.
- Access to credit.
- Increased land ownership for women.
- Introduction of job quotas for suitably qualified women in business and public service.
- Introduction of techniques to reduce the work-load of rural women. In particular, the following things could be introduced:
 - ☒ More water holes nearer to the villages.
 - ☒ Introduction of agro-forestry, to make firewood available nearby.
 - ☒ More efficient stoves to reduce the consumption of firewood.
 - ☒ Introduction of simple food processing machines, such as hand grinders, shellers, etc.

5.7. Global Depression

5.7.1. The Recession of the early 1980s

In the world-wide recession that started in the early 80, Togo fared rather badly. From 1979 to 1980 Togo's foreign debt more than tripled, and debt servicing had in 1982 reached more than 50% of export earnings. (5.1.2). Between 1980 and 1983, exports fell in real terms from 25.4 billion F CFA to 18.5 billion F CFA, and fixed capital formation dropped more than 60%. In a sense, the Togolese economy is still trying to cope with the effects of the economic downturn from that recession.

5.7.2. The Depression of 1990.

Again, the spectre of economic crisis is rising in the world. This time, it promises to be an unprecedented downturn in business activity, which would last much longer than the last recession. (Batra, 1987).

There are already many signs that the recession has already started. On 3 December 1990, President George Bush, as quoted by the BBC World service, for the first time admitted that sectors of the American economy were in recession. He only confirmed what everybody else already knew. William Hensler, a chief executive of Wickes Lumber, had already, in October, told Time Magazine:

I want to say we're in a recession, but that's not a strong enough word. In some regions it's a depression. (Greenwald, 1990)

Stock markets all over the world have crashed. The Tokyo stock exchange has fallen almost 40% during 1990, and Japanese investors have lost around 2 trillion Dollars, or twice the entire foreign debt of all developing countries. The losses on most other international exchanges have also been massive, with an average 18% down on the record high.⁹ Taiwan's stock exchange fell 80% between February and October 1990.

Unemployment rates in all industrial countries are up from a year ago. In another paradoxical development, consumer and wholesale prices are up in all industrial countries with an average 6.10%, while commodity prices measured in Sterling have fallen in the last year with around 19.5% for food products, and 20.3% for minerals.¹⁰ So while all other prices are going up, the prices of most Third World exports are down.

Bank failures is another indication that the economy is shaking. While Third World countries borrowed a lot of money in the late 1990s and early 1980, private business also borrowed heavily in the 1980s. Most of these loans were for speculation and take over bids, and for productive investments. As a result, many companies have defaulted, and more and more banks are failing. The first real collapse has come in the Savings and Loans industry, which has amassed debts worth 3 trillion dollars. As the Federal Government of the US has committed itself to bail out the failing industry (it is estimated it will cost 1 trillion dollars), it is hardly likely that it will have the resources to tackle any major bank failures. The Federal Deposit Insurance Corporation (FDIC), which insures all deposits in US banks up to \$100,000, is already stretched by recent bank failures, and is itself near bankruptcy.

If we add the staggering debt of the Third World countries, the increase in oil prices, the BCCI crash, and so on, we can easily see that the situation is far more precarious today than in 1979. If the recession really takes hold, which it is most likely to do, it would be very long and hit far harder than the crisis of the early 1980s.

5.7.3. The Effect on Togo of a World-Wide Depression

The effects on Togo of a World-Wide depression would be very severe. Prices on raw materials could fall further; foreign aid will be cut back as donor countries will be preoccupied to manage their own problems; new credits will dry up, and the accumulated foreign debt will still be there to pay. This may force Togo, along with many other Third World countries, to default on its debt payments.

Togo's ability to finance new capital intensive industries, or to keep importing raw materials for its local industries, may be severely reduced. As a result the GDP, which in real terms has just kept up with the population growth even under the most favourable circumstances during the late 1980s, will probably register a negative growth. All these would have the most serious effects on the Togolese economy and the nation as a whole. Most other African countries would find themselves in a similar situation, and some would be even worse off than Togo.

5.7.4. Recommendations

To mitigate against the effects of the coming depression, the PROUT Research Institute recommends the following actions.

- Implement all PROUT recommendations contained in this report:

In particular, all the recommendations that aims to reduce Togo's dependence on outside factors.

- ✦ Decentralized planning 4.2
- ✦ Labour intensive industries (5.3.3.)
- ✦ Introduction of intermediate technology (5.3.3. and 3.3.4.3.)
- ✦ Improved agriculture with low input methods (5.22.4)
- ✦ Pursue a policy to cancel the debt (3.9. and 5.5.)

- Increased Regional Co-operation Between West-African States.

In the case of a world-wide depression, a small country will fare worse than a larger one. Togo ought, therefore, to use all political means to improve its co-operation with other countries of the sub-region. Togo may be too small to attain complete self-sufficiency by itself, but West Africa can easily become self-sufficient with the proper regional co-operation. In this case, the looming crisis may be the motivation to force West African countries to increase their economic co-operation, which would create much benefits in years to come. If even Togo, Burkina Faso and Ghana together could increase their economic co-operation, it could become a very powerful confederation. If, in the long run, the co-operation could be expanded to include all ECOWAS countries, just like the Common Market in Europe, then West Africa would become an economic World Power.

In particular, the following policies should immediately be pursued,

- ✦ Arrangements for barter agreements between West African countries. Barter agreements are better in times of depressions, as no credit lines are needed, and foreign exchange shortages are no obstacles.
- ✦ Sharing of markets. Mostly the domestic markets in West African are too small to allow the large scale production of goods. If, instead of importing all goods from Europe, priority was given to goods produced in West Africa, then the region could be much more self sufficient. For example, most West African countries import clinker from Europe, while the Togolese clinker plant is sitting idle.

5.8. Free Trade Zone

An attempt to attract foreign investment for the establishment of export oriented industries has been the move to set up a free industrial trade zone, where prospective investors would be free to import raw materials and export finished products without custom duties. It has been hoped that the establishment of this zone will bring in needed investment and technology, and to provide employment opportunities for many Togolese.

Other benefits that have been expected are an increase in local business activity, as local business will be supplying goods and services to the free zone, and that the free zone would utilize local raw materials.

Though undoubtedly this type of zone will be beneficial for the companies that establish themselves in the zone, and a few other local companies that may get contracts to supply services and goods, it is doubtful whether the establishment of these zones will have any greater impact on the general economic situation in Togo, or the living standard of its people. The reasons for this are as follows:

- The Free Zone is basically another variation of the growth-pole concept of development, with heavy investment in one small growth pole. Though the theory goes that the wealth of the growth pole will trickle down to the surrounding areas, this never seems to happen (2.2). Rather, the growth pole usually turns parasitic, and drains resources away from the surrounding area.
- Consequently, the free zone is in danger of becoming an island of prosperity in a sea of unemployment and economic stagnation. Unless companies established in the free zone are forced to utilize local materials and resources whenever possible (a condition which would severely reduce the attractiveness of the zone) the benefits for the local population will probably be negligible.

5.9. Regional Co-operation

5.9.1. Historical Perspectives

For thousands of years, West Africa was a homogeneous economic unit, with widespread trade links between its different parts. Great empires that united the whole sub-region existed during much of its time, and even between the times of the great empires, the economic links remained strong.

This situation lasted even through hundreds of years of slave trade, and was first destroyed during the colonial era. Indeed, one of the main reasons for colonialism was the desire by Europe to procure raw materials for its industries, and markets for its finished goods. Caetanya (1990:42-44) writes:

Though the slave trade abated and finally stopped, there was no marked increase in the production of the raw materials Europe wanted. People persisted in growing their own subsistence crops. Neither did they start to purchase European clothes, soap, and other products. Most people produced what they needed locally, or obtained it through the century old established trade routes existing in Africa, which even the slave trade had not been able to destroy. In fact, trade in West Africa was very lively, but it was not directed towards Europe (except for the slaves of course). The trade routes covered the whole of West Africa, and connected it with North Africa across the Sahara.

But not only that. The oils, gums, and minerals that were exported to Europe, were often sold directly by enterprising African salesmen who took the goods there directly, by-passing all European businessmen. This hurt the European merchant houses, who were used to buy up to a monopoly on their trading ventures. And in the cases when the European managed to buy up the goods on the spot, local chiefs imposed taxes and other restrictions to the trade. As a whole, things did not go so smoothly as the European powers had wished. Strong action was needed to save the situation.

And predictably as clockwork, strong action followed. It came in form of the "scramble for Africa". During the last twenty years of the nineteenth century, European powers jumped on Africa and carved up the whole map between them. By the year 1900, only two African countries, Liberia and Ethiopia, were still under black rule. But 20 years earlier, only tiny enclaves, like the Cape Province in South Africa and the area around Accra on the Gold Coast (now Ghana), were under direct white rule. In just a few years, Africa was conquered and occupied. From now on, Europe made the laws, collected the taxes, and controlled the economy.

The first problem to be tackled, was to give European businessmen exclusive access to the trade between Africa and Europe. Laws were enacted to prevent local African businessman to deal directly with Europe. All commerce

had to go through businesses controlled by the white people, mostly huge ones like Lever Brothers, United African Company (UAC) and CFAO.

Secondly, they started to impose European goods on the people. In order to get a good job, a European dress became indispensable. Naturally, the clothes were imported from Europe. Any thing local was portrayed as inferior, and the glories of European goods were exaggerated. Local trade and crafts broke down, and the economy was gradually oriented to import all its necessities from Europe, and export to the "mother" country the raw materials it needed. Thus, the trade that had flourished in Africa for over a thousand years, was crippled in a few decades.

5.9.2. Present Situation

About one hundred years have now passed since the beginning of colonialism in Africa, and about 30 years have passed since the end of the same colonial system. Yet its legacy is still being acutely felt. African countries still serve the role of suppliers of cheap raw materials to their former colonial masters, and markets for Europe's surplus goods. The elaborate internal trade that in West Africa existed for thousands of years, has completely vanished.

At present, only 7% of Togo's total trade is with African countries. In spite of organizations like OAU and ECOWAS, most African countries have customs barriers, inconvertible currencies, trade restriction, and other barriers against the movement of people and goods between one African country and another. Still, what is even more deplorable is how African countries are depending on imports of goods from Europe, when the same products are available within West Africa itself. Many times this illogical arrangement is forced upon African nations, who are obliged to import goods from France, Britain, Italy and other countries in return for aid. In 1985, there was a row between Ghana and Britain, when British aid was used to import Polish clinker, instead of the British clinker stipulated by the aid agreement. That the Polish clinker was sold at half the price was not a consideration for the British, who, if the real reasons should be admitted, were more interested in promotion British exports than to help Ghana financially. And while Ghana was making up its mind while it should import British or Polish clinker, the Togolese clinker factory was working at a fraction of its capacity, as it could not find any customers! This exemplifies the illogical lack of co-operation and trade existing in West Africa today.

5.9.3. Trade Blocks, Subsidies, and Protectionism

All over the world, there are movements towards the creation of trade blocks and common markets. The most significant is the move by the European Community to create one European Common Market by the year 1991, abolishing all internal trade barriers. It has been estimated that the Community is presently losing about 7% of its output to inefficiencies created by the internal barriers for trade. Europe, with its 320 million people, will, after 1992, become the most powerful market in the world, almost 100 million people bigger than the USA.

Sub-Saharan Africa had, in 1987, 451 million people, and could, if united, form a tremendous common market. Even West Africa had 188.7 million people in 1987. (World Bank 1989.) This, in itself, could form a very powerful regional market. Yet, not only does a common market not exist, but as we explained, even the minimum amount of trade is absent. In fact, Africa has the lowest amount of internal trade of any continent in the world. It has also the lowest average GNP per capital of any continent. Out of the 31 low-income economies, where GNP per capita figures are available, listed by the World Bank, 22 are from Africa. (World Bank 1987). As we concluded earlier, the GNP per capita is closely linked with a country's utilization of primary resources (2.1.), and so it follows that as Africa mainly exports raw materials, and these raw materials neither benefits the exporting country nor any other African country as all exports goes to the industrialized world, mainly Europe, it is impossible for its GNP per capita to increase substantially.

Simultaneously, there is a move towards protectionism and subsidies in many countries of the world. The recent GATT talks held in Europe broke down on the question of European farm subsidies. The European Community spends 2/3 of its entire budget on subsidies to farmers. The Americans were upset about this, because it makes European agricultural products cheaper than American ones. Not that America does not have farm subsidies. They do. But not quite as much as the Europeans.

While the Americans and the Europeans haggle over these subsidies, it is the Third World countries that suffer most. Agricultural products is one of the few areas where Africa has a comparative advantage over Europe, and in this one point Europe insists on protectionist subsidies. In all other areas where Europe has a comparative advantage, they cry "protectionism" as soon as any country tries to subsidize its budding industries.

Even more hypocritical, when Nigeria imposed a ban on the importation of wheat to encourage local wheat production, America protested strongly. They called the move "protectionist", and threatened to retaliate. Yet, next to the European Community, US farmers are the most subsidized in the world!

In a move to justify the farm subsidies, an Irish MP recently said in a BBC interview (14/1/90). "We cannot look indifferently to the plight of our farmers." The same could be stated, with much more justification, by African leaders.

5.9.4. Recession and Looming Crisis

With the approaching recession, which could turn into a depression, economic activity in the industrialized world would slow down significantly. This, in combination with the break-down of the GATT talks, could cause a real reduction in world trade. The Economist (1991:20) commenting on the brake of the GATT talks, writes:

Many trade disputes are pending, awaiting the outcome of the talks: failure would activate them immediately. Protectionists in Europe and America would rejoice, as they buried their governments under demands for trade "remedies" of every sort - a super-301 action here, a countervailing duty there. The struggling economic reformers in Eastern Europe and the third world would despair. In time, a world divided into trading blocks would be a real possibility.

If this division becomes a reality, African trade with Europe could suffer. At the same time, European aid and concessional loans to Africa could dry up very quickly. In this situation Africa would be left to itself, and unless it starts to increase its regional co-operation and trade links now, the consequences would be extremely serious.

5.9.5. The Need for Regional Co-operation

The policy of PROUT of forming Socio-Economic self-sufficient units (3.2.2.) are at the present hampered by the balkanization of the African continent. Illogical national boundaries are cutting through areas that could form self-sufficient units.

At the same time, the smallness of the countries reduces the local demand for goods, and make capital-intensive industries unprofitable. If Europe, with its well-developed economy, and its huge internal trade, found it necessary to form a common market, then what should we say about West Africa?

Government overheads, especially defence expenditures, are also a huge burden on small countries. Though these expenses are often hidden and are not officially included in the national budget of many African countries, they have increased rapidly in the last 10 years. A major reason for this is that the security situation throughout Africa has deteriorated.

The combination of all these factors, viz., the economic limitations inherent in small countries; the lack of intra-African trade; Africa's position as supplier of raw materials to Europe and its dependence on European imports; the prospects of impending trade-wars and increased protectionism; and the threat of a severe recession, points to only one thing: to survive, West African countries have to cut their reliance on Europe and rebuild the system of internal trade and co-operation that existed for thousands of years before the colonial era. The alternative, that each African nation should try to go it alone, is too frightening to contemplate. Even if regional co-operation is secured with immediate effect, times will still be very difficult for Africa in the coming years, but if no co-operation is forthcoming, each country will suffer immensely. The only country that would have a chance of managing would probably be Nigeria, and even she would do much better in a West-African economic community.

5.9.6. Recommendations

The PROUT Research Institute offers the following recommendations:

- The Government ought to utilize all political means available to improve economic and political co-operation in the sub-region. In particular, the following goals should be pursued:
 - ☒ Opening up of markets to each other's goods;
 - ☒ Liberalization of currency control for intra-regional trade;
 - ☒ Introduction of a customs union;

- Introduction of a common import and export policy; and
- Preferential treatment of intra-regional trade. This means that if a good is produced within a member state, it should preferably not be bought from outside.
- Encourage barter trade agreements within the sub-region to offset problems of foreign exchange shortages in times of depression.
- In the long term, increase economic co-operation to form a confederations of selected West-African countries.
- With extended economic co-operation, socio-economic units extending to more than one nation can be formed. The socio- economic units should gradually be increased, until possibly the entire West Africa could become one socio-economic unit. (3.2.2).

APPENDIX

Notes on the Implementation of PROUT Reforms

Spread throughout the pages of this report, are several specific recommendations on various political and economic issues. In this appendix, we wish to briefly recapitulate some of the main recommendations, and to put them within the context of goal and “value” determination for economic development; the choice of development model; and the phase-wise implementation of any such model.

1. Determination of Goals and Values

The first task is to evaluate the goals and “values” underlying present economic planning and policies, and determined whether they are compatible with the professed economic objectives of the Government, which, according to the direction Generale du Plan et du Développement, are as follows:

The ultimate goal of economic activity is to satisfy the needs of people. The objective of all development strategies by the government is therefore to increase the social well-being of the population.

It has been shown in this report, that an economic development strategy based on capital-intensive centralized industries, growth pole type development, depressed farm prices, and export of raw materials, while perhaps perfectly consistent with the aims of profiteering and individual financial gain for a small minority, is hardly consistent with the aim “to increase the social well-being of the population”. It therefore seems that in spite the good intentions of the Government, other goals and values have often had an upper hand in determining the economic activities of the country.

It is therefore extremely important that these goals and values are compulsory used as a yard stick for any future economic planning. This should prevent any future deviation from the overall goals of the economy in the actual implementation of individual projects.

2. Choice of Development Model

The type of development model chosen must be based on the values and goals adopted as the underlying principles of the economy. If the goals of national development is that a few individuals should have unlimited right to accumulate wealth at the expense of the majority, then a policy that encourages wealth concentration should naturally be adopted. If, on the other hand, we are striving to promote the well-being of the people and satisfy the needs of all, then a development model that encourages the participation of all layers of society has to be adopted.

While a capitalist development model usually aims at maximizing profit, the aim of a PROUT economy is, in line with the Togolese Government’s proclaimed objectives, “to satisfy the needs of the people”. The satisfaction of needs and the spreading of the benefits of development to all layers of society are vital to PROUT, and these basic values must never be lost in sight during the planning and implementation of any economic activity.

One of the basic reasons for failure in past development attempts in Third World countries is that there has been a conflict between the needs to spread development to the poorest layers of the society, and the basic economic models adopted which tend to concentrate the national wealth in the hands of a few.

3. Structural Changes Needed for the Implementation of a PROUTIST Development Model.

After determining or reconfirming the basic goals of the economy, a careful consideration must be done of which development model should be adopted. If PROUT in the final analysis is considered as appropriate model for national economic development, certain structural changes will be needed for its proper implementation. Some of these changes are as follows:

- Decentralized economic planning (3.2.4.2. and 5.2.4.1.)
- Implementation of People’s Economy (3.1.1. and 5.2.4.1.)
- Re-orientation of industry towards
 - ✦ Use of local raw materials (3.4.4.1., 5.3.3.)
 - ✦ Labour intensive techniques (5.3.3.)
 - ✦ Decentralized structure (3.2.1.,5.3.3.)
 - ✦ An expansion of agro- and agrico-industries, etc. (3.4.2.).

- Worker participation industry and business (3.4.5.)
- Economic self-sufficiency, with no export of unprocessed raw materials, and no industries being based on import raw materials (3.4.4.1., 3.4.4.2., 5.3.3.)
- Co-operative farming methods based on local African traditions, with the introduction of improved appropriate techniques (3.4.1., 5.2.4.2.).

4. Phase-Wise Implementation Programme

For the proper implementation of these changes, as well as all other recommendations presented in this report, a well thought out phase-wise implementation programme has to be chalked out. However this needs careful study, and the presentation of a detailed phase-wise programme falls beyond the scope of the present paper. If the Government of Togo so requests, the PROUT Research Institute would be available for further assistance on this point.

For a successful implementation, there are three aspects involved, viz. planning, popularization, and phase-wise implementation. Let us look at these aspects one by one.

4.1. Planning

The first stage of implementation is the planning. Proper planning must be based on sufficient statistical material, and the collection of data in the rural areas has so far been insufficient. There is therefore a need for more action on this front.

An overall supreme planning body to co-ordinate all other planning bodies need also to be established, as well as institutions for the training methods etc. The PROUT Research Institute recommends that the following bodies are set up:

- A Supreme Planning Body. to co-ordinate all level's of planning, and to set up a master-plan for the phase-wise implementation of all PROUT policies, complete with a realistic time-table.
- Training Institute for the training of:
 - extension workers,
 - block-level planners,
 - NGO staff, and
 - any other people directly involved at the grass roots level.

This Training institute, which should be located in Lomé, should prepare all people directly involved in the implementation of the decentralized economy for their new tasks, and explain the aims and methodology of the programme. The training should be both theoretical and practical, with an emphasis on the practical side.

- Committee for Data Collection. This body should be responsible for the collection of statistical data and other base information needed for the other bodies. They could work closely with the Statistical Survey, and other already existing bodies.
- A Department for Technological and Resource Assessment. It should study and research technological innovations, their possible impact, desirability and final clearance for use in the decentralized economy. This department should also include a Commercial Viability Section. to assist the lower level planning bodies in choosing proper developmental options. In short, its aim is to ensure that proper technology and methods in harmony with the over all objectives of the economy, are being pursued. This is to prevent the re-occurrence of big expensive projects of doubtful viability unsuitable to the over all economic strategy. The Department should emphasize the evolution of a consistent industrial strategy involving the proper use of raw materials, and, in the first phase of development, the utilization of labour intensive methods.
- Agricultural Development Section. All the various agricultural research institutions should be co-ordinated under one research body, so as not to duplicate efforts. The research should be concentrated on the development of techniques and seeds appropriate for small scale farmers and small co-operatives, and on techniques suitable to the African climate, soil, and traditions of the people. The research must be carried out in close cooperation with the villagers themselves.

- Institute for Intermediate Technology. The main aim of this Institute would be to gather information, conduct research and to popularize intermediate technological solutions for the establishment of labour intensive, decentralized cottage industries etc.
- Popularization Committee. One of the most important aspects of implementation is to ensure a popular support for the programme. Therefore, a special committee should also be established for this purpose.

4.2. Popularization

The implementation of a decentralized bottom-up model of economic planning must come from the people themselves. Even a supposedly decentralized system can be imposed from above, with directives to force people to comply. Experience shows that this type of approach does not work, and will surely end in failure.

On the other hand, if real success is established in a few places, people in other areas will spontaneously try to copy and demand that they also can benefit. Experience from development work shows that even people who first reject new projects, later come back to beg for them when some neighbouring village successfully have implemented it.

The establishment of a decentralized economy is therefore to a large scale an educational effort. From being passive spectators, common people are now being asked to become active participants in their own development. This is a major shift in attitude that is demanded from the people, and it will be a gradual process to implement it. But once people have been motivated to develop their own areas, they will unleash a tremendous constructive force that will bring prosperity and development to the country.

Due to these reasons, it is imperative that a well thought-out programme for popularization of the new economic programme is done. The right of people to vote and elect their own representatives is essential, but the right to develop their own economic potentials is even more so. In a decentralized economic system, each and every Togolese will have economic security.

There are two main approaches to the popularization. One is for the intellectuals in the rural areas, and another for the comparatively less education in the urban areas.

Urban Intellectuals

For the urban intellectuals, including students, an intellectual propaganda and information campaign is needed.

It is of utmost importance that all parts of the society are invited to study the proposals and present their views, even if they are dissenting. However, the basic arguments for adopting a decentralized bottom-up strategy, and other PROUT based reforms, are overwhelming, if people's welfare, and that of the nation as a whole, are the main considerations. However, unless a popular consensus is reached, no real grassroots reform is possible.

Rural Areas

In rural areas, action speaks louder than words. Through the help of NGOs, government extension workers, and other field personnel, small scale projects for rural development in selected villages should be initiated. The PDLP programme should be stripped of its centralized bureaucratic character. At the same time, extension workers should be trained and motivated in the proposed training institute. Careful attention should be given to previous development work, to evaluate which ones were successful, and what were to be learned from the mistakes of those who were not. With the population motivated and active in several areas within the same prefecture, the next step would be to proceed to block-level planning. In this way, by actually showing practically what can be done, people will wholeheartedly accept the new programme.

4.3. Phase-Wise Implementation

A detailed phase-wise plan for the implementation of reforms will have to be worked out by the proposed Supreme Planning Body. In broad lines, the long term implementation would however constitute of three major phases, viz.

Phase One

The first phase would aim to establish a People's Economy (3.11.), decentralize the planning system, and provide the minimum needs and full employment to all Togolese. This would entail an increase in the standards of living of the poorest sections of the society, particularly in the rural areas. Export should have been re-oriented towards the export of processed goods rather than unprocessed raw materials.

In this period, emphasis should be on labour intensive techniques, as scarce capital must go towards the establishment of full employment.

Phase Two

In the second phase, the Commercial Economy (3.1.3.) will be developed. For this to succeed, an increased regional co-operation with some neighbouring countries is essential. The size of the market must be opened up, and this increased market would justify the investment in more capital intensive industries. By this time a full-scale phosphate-based fertilizer industry should have been established. With People's Economy firmly established, the development of Commercial Economy would not cause great income disparities and imbalances. The utilization of existing iron ore deposits for steel production should be developed. A greater participation of workers in the ownership and management of business and industries are envisioned (3.4.5.), and co-operative firms would be more frequent.

Phase Three

For the establishment of the third phase, a close regional cooperation is needed, with the whole of West Africa developing into one socio-economic zone, or one common free market. By this time, West Africa could become one of the most powerful economic groupings in the world. With the adoption and implementation of PROUT, West Africa within 25-30 years could develop from being one of the poorest areas in the world, to a prosperous economic superpower with full employment, a decentralized economy, and rural as well as urban prosperity.

NOTES

1. Source: B. C. E. A. O.
2. The most influential economist of this century, Lord Keynes, believed that the only way to economic prosperity was through greed. In an essay in 1930, he wrote:

For at least another hundred years we must pretend to ourselves and to everyone that fair is foul and foul is fair, for foul is useful and fair is not. Avarice and usury must be our gods for a little longer still. For only they can lead us out of the tunnel of economic necessity into daylight.

Maybe daylight for the few privileged, but certainly not for the poor masses of Africa. By adhering to these "gods" of Keynes, avarice, usury and precaution, up to his suggested year 2030, we would by then have caused irreparable damage to our world, and unthinkable suffering for the poor in the rural areas of the world.

3. Agro-industries, in Sarkar's terminology, is post-harvesting industries such as food processing. Agro-industries are pre-harvesting industries, i.e. those who supply inputs to the farmer-shoes, fertilizers, ploughs, pesticides, etc.

4. 20 million is on the lower range of an estimated 20 - 200 million slaves taken out. Nobody really knows how many! See Caetanya (1990b).

5. On the other hand, certain other functions like national defence, legislative powers, foreign policy, etc. should remain in the control of the central government.

6. E.g. the Intermediate Technology Group, UK, publishes much useful information in this regard.

7. A co-ordinator of the Ananda Marga Universal Relief Team, (AMURT), Rudreshvarananda Avadhuta, presented plans for such an institute in a recent meeting in Ouagadougou with UN organization, NGOs, and government officials of Burkina Faso. Mr. Rudreshvarananda suggested that the institute be opened in Lomé, Togo.

8. For details of the last two points, see Harrison (1987).

9. Source: Morgan Stanley Capital International.

10. "The Economist" 22 December 1990 - 4 January, 1991.

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