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ADJUSTMENT, POVERTY, AND UNDERDEVELOPMENT: THE IMF-WORLD BANK AFRICAN DILEMMA

by

EDWARD OSEI-KWADWO

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(SIGNED) Edward Kwadwo

PERMANENT ADDRESS:
P. O. Box 2313
Kumasi
Ghana - West Africa

DATED December 13, 1989

THE UNIVERSITY OF ALBERTA

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The undersigned certify that they have read, and recommend to the Faculty of Graduate Studies and Research, for acceptance, a thesis entitled ADJUSTMENT, POVERTY, AND UNDERDEVELOPMENT: THE IMF-WORLD BANK AFRICAN DILEMMA submitted by EDWARD OSEI-KWADWO in partial fulfilment of the requirements for the degree of MASTER OF ARTS.

Fred Judson
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Supervisor

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Date December 11, 1989

DEDICATION

I dedicate this work to MS. MARGARET THIRD-TSUSHIMA (whose influence on my life has been and is more than I am sure she realizes) for her love, affection and understanding, daughter JEMIMA OSEI whose birth has motivated me in life and in my pursuit of academic laurels and the MASSES OF THE PEOPLE in the THIRD WORLD who bear the brunt of Structural Adjustment Programmes.

ABSTRACT

Since the early 1980s, governments accross Africa have embarked on economic recovery programmes and structural adjustment programmes under the auspices of the International Monetary Fund (IMF) and the World Bank.Wide ranging and often controversial policy reforms have been introduced to cope with acute economic crises. But is adjustment generating renewed growth, and what is the impact on the poor? In the thesis, I dissect Ghana's and Zambia's economic crises, the IMF/World Bank programmes, Zambia's autonomous Interim National Development Plan put in place after the failure of the IMF programme and their human costs.

I argue that the "conditionalities" which IMF/World Bank programmes bring in their train have often posed extremely difficult political problems for African leaders, especially side-effects of the programmes. Of greater significance perhaps is the adverse social and economic impact of these stabilisation and adjustment programmes and the fact that they are permanently threatened by external constraints. To meet the target of growth, therefore, two general conditions are necessary : first, far-reaching internal changes of social, political and institutional character in the African countries, and second, significant changes in the world economic order.

PREFACE

This thesis explores certain aspects of Africa's development problems and the various remedies suggested by the IMF/World Bank via the structural adjustment programmes (SAPs). So far, discussions over the meaning of these SAPs designed by the IMF/World Bank to solve the African economic crisis appear to have assumed dimensions as interminable as those over the meaning of life. So seriously do I take it that I cannot hold back the urge to provide an evaluation of their impact. The African economic crisis, as is obvious, cannot be viewed as an isolated phenomenon but as a global economic malaise. The critique of the SAPs, thus offered, may be viewed as a defence of the interests of the African poor and of an economy struggling within the confines of neocolonialism.

The thesis is a by-product of several inspirations. I would like to mention in particular Professors Fred Judson, Thomas Keating, Juris Lejnieks and Larry Pratt for the knowledge they impacted to me in courses I took with them. Professors Judson (my supervisor), Keating and Ann McDougall of History Department deserve praise for their ideas and constructive criticisms of the thesis. The Department of Political Science, University of Alberta, also put at my disposal its excellent facilities and secretarial staff. My thanks are due to Professor Allan Tupper, Department Chairman, Professor Jack Masson, former Graduate Chairman and to Audrey, Ruth, Leah, Pam and Alice. Their ever present smiles helped me overcome the pain of leaving my family to study in a "cold" country. I would also like to extend my appreciation to the International Scholarship Committee for awarding me the prestigious DA/University of Alberta Scholarship to enable me study in Canada and the International Student Centre for their financial assistance in undertaking this project. Special mention must be made of Mrs Sharon Schultz and Bruce Caldwell for their motivation.

Mention must also be made of my compatriots David Achanfuor-Yeboah and Daniel Hagan for introducing me to the computers; Joe Mends, Kingsley Donkor, Ernest Boakye, Joseph Oppong, Philip Asamoah and Afia Kobi for their support; Chaldeans Mensah, Mike Bradley and Malinda Sharon Smith for those stimulating academic exchanges; Ms Marjorie Listra Lewis and the Lewis family for their care, encouragement and interest in my adjustment in Canada and to Margaret Third-Tsushima, Fay Sims, Anne Paludan, Joan Paton, John Gill, Diana Lowe, Karen Swartzenberger, and the Hons. David Kilgour and Jim Edwards for their love for the truth. To Margaret, Fay, Anne, Joan, John, Diana, and Karen, I say TRUTH STANDS and a BIG THANK YOU. However, all errors and shortcomings which may appear in this thesis are entirely my own.

Table of Contents

LIST OF TABLES

I. CHAPTER ONE

The picture that emerges from the analysis of the perspective of the African region by the year 2008 under the historical trend scenario is almost a nightmare. Poverty would reach unimaginable dimensions since rural incomes would also worsen with more shanty towns, more congested roads, more beggars and more delinquents. The level of the unemployed searching desperately for the means to survive would imply increased crime rates and misery. Against such a background of misery and social injustice, the political situation would inevitably be difficult. The very consequence of extreme poverty would be social tensions and unrest which, in turn, would result in political instability. With the continuous and cumulative financial difficulties, governments would have little choice but to yield to the often unkind designs of international monopoly capital. As a result, the very notion of national sovereignty would be at stake.

(ECA and Africa's Development) [1]

The history of economic development has been full of surprises. The evidence is overwhelming that, with the right combination of external assistance and domestic policies, countries can turn around, often in less than a decade.

(Toward Sustained Development) [2]

Economic growth implies using scarce resources more efficiently...policy making inevitably has to embody wider political constraints and objectives ...The record of poor growth...suggests that inadequate attention has been given to policies to increase the efficiency of resource use and that action to correct this situation is urgently called for.

(Accelerated Development) [3]

[1] United Nations Economic Commission For Africa, ECA and Africa's Development, 1983-2008 (Addis Ababa : ECA, 1983) pp. 93-4

[2] World Bank, Toward Sustained Development in Sub-Saharan Africa:A Joint Programme of Action (Washington, DC:World Bank, 1984) p.15

[3] World Bank, Accelerated Development in Sub-Saharan Africa: An Agenda for Action (Washington, DC: World Bank,1981) p.24

A. INTRODUCTION

" One of the bitter ironies, as one reflects retroactively is that it was back in 1982 and 1983 when African countries themselves tried to alert this world to the tragedy that was looming but the world refused to respond. And I remember quite vividly the protestations of Edward Saouma in the annual conference of the FAO in 1983, the words of the Secretary-General in 1983 which are on record and the words of the Ethiopian Rehabilitation Commission in March and August of 1983, attempting to rally the world to a catastrophe. It was impossible till the television cameras entered..."[4]

Yes, it was the drought that focused world attention on Africa, but it would be appropriate to say that it is just one of the extreme manifestations of the region's economic malaise. It cannot be disputed that sub-Saharan Africa(SSA) is currently suffering an economic crisis of a magnitude unprecedented in its recent history.

In the 1960s, African economies were characterised by an active export sector, the prices of the continent's primary commodities were relatively remunerative and the balance of payments, in a majority of cases, was positive. The situation turned for the worse in the 1970s with the increase in import bills of energy, manufactures, capital goods and food against a steadily declining trend in export earnings. With the turn of the 1980s, the situation quickly climaxed to a crisis. There was a collapse in the prices of primary commodities which reached the lowest levels in 50 years; export earning capacities of countries were seriously eroded; balance of payments deficits became chronic and were aggravated by a hostile international economic environment; import bills mounted to a level that seriously robbed countries of the resources for development, and above all, the mounting external debt-servicing obligations thwarted virtually all efforts towards economic recovery and self-sustaining growth. This was further exacerbated by the advancing desertification, the unprecedented droughts of 1983 and 1985, cyclones, hurricanes, floods and recently the locust invasion.

[4]Stephen Lewis, Speech Delivered at British Council Hall, Accra, Ghana, on March 31, 1987 on the topic "The UN and the African Economic Crisis."

A joint report [5] by the Economic Commission for Africa (ECA) and the African Development Bank (ADB) records that the overall performance of the African economy in 1988, while a significant improvement over that of 1987, still fell short of the rate of growth in population. As against a mere 1.3 per cent growth in gross domestic product in 1987, it is estimated that overall growth rate in 1988 is 2.5 per cent. However, given a population growth of about 3.0 per cent this means that output per head fell further by half of one percentage point, a continuation of the trend that has set in since the beginning of this decade.

Moreover, there has been a lack of general improvements in the commodity exports of Africa. The prices of certain key commodities, notably coffee, cocoa and tea, have either crashed or remained poor, not to mention oil, for which prices are at their weakest levels since 1986, having fallen almost continuously in 1988 to reach a low level of $12 per barrel in October. In fact, there are few positive indications that 1989 will significantly be any better than 1988. "Indeed, all the emerging trends suggest that the overall performance of the African economy may be slightly worse in 1989."[6]

At the beginning of the decade, the Organisation of African Unity(OAU) held its first special economic summit, mindful of the continuing pressing problems that underdevelopment presented to many of its members. That summit produced an optimistic forward-looking Lagos Plan of Action. Five years later in 1984, it had become clear that the Lagos Plan had to be drastically reassessed, and African leaders engaged for the first time in serious criticism of themselves, and where things had gone wrong since independence. This auto-critique led to a new reconstruction plan, the African Priority Programme for Economic Recovery (APPER), which was duly presented to the rest of the world at the first UN special session on Africa's economic problems in 1986, which came out with its own programme, the United Nations Programme of Action for African Economic Recovery and Development (UN-PAAERD), 1986-1990.

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[5] Economic Report on Africa 1989, (African Development Bank, Abidjan and Economic Commission for Africa, Addis Ababa, March 1989)
[6] ibid., p.85

At the same time more than half of the OAU member states have embarked on economic recovery programmes and structural adjustment programmes under the auspices of the World Bank and the International Monetary Fund (IMF), which have offered support (and been a yardstick for wider donor commitment). The "conditionalities" which these bring in their train have often posed extremely difficult political problems for African leaders, especially side-effects of the programmes. And even now it is not proven that all of the IMF/World Bank economic prescriptions are necessarily the best medicine. Africa is littered with too many ruins of aid projects and policies for the countries to have any confidence that donors know best.

Of greater significance perhaps is the adverse social and economic impact of the IMF/World Bank sponsored stabilisation and adjustment programmes. The fact that these programmes have become the inflexible and invariable precondition for obtaining emergency balance of payments assistance, and that most debt-relief assistance is now predicated on their adoption, albeit under the guise of "internationally agreed programmes" means that the transition from preoccupation with financial adjustment and deflationary budget controls to growth-oriented adjustment is nowhere near in sight in Africa. Recent experiences have proved that import restrictions, coupled with policies such as devaluation and tight budgetary policies, adversely affect the industrial sector by rendering production costs prohibitive and forcing many industries to close down.

These points are buttresed by the following facts discernible in 1987 :

At least 28 African countries have introduced tough, far-reaching economic policy reforms under the IMF, essential to reviving the recovery and development process;

As a result of such reforms, as well as the return of more favourable weather in 1986, the continent posted gains, of 3 and 5 per cent respectively, in both food and manufacturing output after years of decline;

Increased production did not result in increased income because of international economic trends which hit at elements crucial to African recovery, such as commodity prices and external debt;

Commodity prices fell to their lowest level in more than 30 years, and Africa's export income fell from 64 billion dollars in 1985 to 45 billion dollars in 1986. Africa's terms of trade suffered severe deterioration, falling 32 per cent in 1986;

There is international consensus that Africa's economic reforms cannot succeed without additional financial assistance. However, total resource flows to the continent actually declined slightly in 1986, to 18 billion dollars;

African debt servicing continues to mount, siphoning off urgently needed funds for essential investments and necessities. The IMF, for example, was the recipient of a net outflow of almost 1 billion dollars from Africa during the year;

Low-income African countries are the ones particularly hard-pressed. Their real GDP growth (2.2 per cent) reflected a decline in per capita terms; for 17 "debt-distressed" nations, annual debt servicing requirements will triple from 2.3 billion dollars in 1985 to 6.9 billion dollars during 1988-90.[7]

The conclusion of the report is that the economic crisis in Africa is worse now than in 1986 when the UN programme was launched.

Africa is in crisis. The nature of this crisis varies depending on where the observer stands. Debate on remedying this grim future revolves around two contending approaches viz, the Organisation of African Unity's Lagos Plan of Action (LPA) which finds a dependency syndrome, and the World Bank/IMF prescriptions clearly outlined in such works as Progress Report, Accelerated Development, etc. with their emphasis on the performance of African governments as the primary cause of the current economic malaise.

Simply stated, the LPA's dependency approach sees the origins of the economic crisis as being external. It is argued that Africa has been drawn into an International Division of Labour (IDL) in a subordinate manner and this subordination is in turn conditioning the nature of economic and political behaviour in Africa; to be specific, a legacy of integration into the world economic system and a veritable international division of labour on unequal terms, colonial and neocolonial exploitation.

[7]Report of the Secretary-General on the Implementation of the UN Africa Recovery Programme (United Nations:New York,1987)

Quite opposed to this is the World Bank/IMF stance which discounts the role of external factors such as deterioration in the terms of trade, continuing unequal terms of exchange as constraints on development but rather points to only internal factors. The basic goal of IMF/World Bank adjustment is to increase revenues, and reduce expenditures. In line with this a typical adjustment programme involves "devaluation of the currency (to discourage imports and encourage exports), drastic reduction of government expenditures, particularly social spending and elimination of food and consumption subsidies, privatisation of government enterprises and/or increases in prices charged by them (electricity, water, transportation, etc) and the abolition of price controls, 'demand management' (meaning reduction of consumption) through caps on wages, along with restriction of credit, and higher taxes and interest rates in an effort to reduce inflation." [8] The assumption then is that as soon as African governments initiate internal policy reforms, their countries' economies would be on the road to recovery and prosperity.

None of these two extremes it is to be noted appears to resolve the issue. However, between the excessively crude juxtaposition of the two plans lies a workable synthesis that may promote more objective analysis and generate interest in the debate on alternative strategies for Africa's development by showing that both internal and external factors account for the continent's economic crisis.

African governments -some under external pressure, which they have found very difficult to resist - have increasingly recognised the need for internal policy reform. In dramatic reverses that have taken much of the donor world by surprise, "African nations are rapidly adopting bold and sometimes politically risky economic policy reforms... From Zambia and Ghana to Guinea and from Tanzania and Mozambique to the Congo, the state is diminishing the hold it has exercised since the 1960's on every detail of economic activity, a step few would have imagined likely even three or four years ago." [9]

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[8] Jacques de Larosiere, Adjustment Programmes Supported by the Fund : Their Logic, Objectives and Results in the Light of Recent Experience, (IMF, Washington, DC, 1984)

[9] Salim Lone, "Africa Moving Rapidly on Reforms," Africa Recovery, No 1 (Feb-April, 1987) p.11

Ghana and Zambia (the two case studies for this thesis) are no exceptions. In Ghana, The Provisional National Defense Council (PNDC), under an IMF/World Bank approved programme, launched an Economic Recovery Programme (ERP) in 1983. The ERP has as its aims the increase of prices paid to farmers (to boost production), a cut back on government regulation of the economy, the slashing of public expenditure and employment (to balance the budget and invest in more profitable or essential sectors) and the devaluation of the Ghanaian currency, the cedi (to remove price distortions and increase rural incomes).

The government has also increased its investments in agriculture substantially (agriculture determines not only food self-sufficiency but also the well being of the vast majority of the population and is the main foreign exchange earner). The expectation has been that these measures would increase production and reduce dependency on external assistance, and free the most productive sectors from restraints that inhibit growth. They would also encourage greater private initiative and domestic and foreign investment.

So far, there is little evidence that these measures are helping to restore economic health to the Ghanaian economy. What is evident is its devastating impact on human well-being. The IMF/World Bank adjustment policies and austerity measures involving stringent cuts in spending and higher prices (due to the removal of subsidies) have led to social turmoil and political instability. Unemployment is higher than ever and living standards for most Ghanaians have fallen.

Zambia, which had a long involvement with the IMF (since 1973), took the unprecedented step in Africa of lifting its economy out of the straitjackets of reform programmes imposed by the IMF/World Bank. [10] The government of President Kenneth Kaunda acknowledged that its efforts since 1973 to implement IMF policies had led to a fall in living standards and rising unemployment. Zambia's economic crisis was due to the combination of rising oil costs in the 1970s and a fall in the price of copper in the international market. Copper accounts for 90 per cent of Zambia's export earnings.

[10] West Africa, May 11, 1987 p. 924

Kaunda announced a price freeze on all products; interest rates were fixed at 15 per cent with a 20 per cent ceiling, and foreign exchange auctioning was abolished - the new rate was fixed at 8 kwacha to the dollar, up from 21 at the previous auction. Further measures announced included an end to personal foreign exchange allowances for holidays and education, and expatriates in the country could no longer be allowed to remit part of their salaries. These steps were taken after a series of "IMF riots" arising as a result of the removal of food subsidies (an IMF conditionality).

After jettisoning the IMF-backed adjustment programme in May 1987, the government developed a home-grown Interim National Development Plan (INDP) to replace it. The interim plan, which expired in December 1988, has been buoyed by an unusually good maize harvest and by a welcome revival in the price of copper, after years of rock-bottom prices. But not much progress has yet been made in reversing the long and painful economic decline wrought by the prolonged copper slump. Now there are fears that a renewed surplus in the world copper market will soon undo the export gains of the past few months, plunging Zambia into a new chapter of crisis -at a time when donor assistance has diminished in anger at the break with the IMF and there has been a huge rise in arrears since the accompanying imposition of a ceiling on debt service payments.

This exposition of the Ghanaian and Zambian experiments briefly describes two contrasting experiences with the IMF and the World Bank and the consequent problems. The approach which focuses on external constraints may find support through analysis of Zambia's difficulties with its home-grown programme, as well as in Ghana where the programme is permanently threatened by commodity price shocks and insufficient aid flows. The result raises doubts about prescriptions for remedying Africa's crisis premised only on internal policy change in African countries and reinforces the idea that the economic crisis can be solved by international action to stabilise raw material prices, liberalise trade, reschedule debts, and increase the flow of aid and low interest loans. Any policy reform must take both internal and external factors into consideration.

B. THE RESEARCH PROBLEM AND OBJECTIVES

The African economic crisis, and, especially the role of the world's two major multilateral financial institutions in solving it, are the focus of this thesis. The basic problem is that IMF/World Bank SAPs have more often than not been premised mostly on internal reforms of African countries, downplaying the effects of the external environment in dampening efforts by African governments to alleviate poverty and put their economies on the road to recovery. [11] Also downplayed have been the social and political implications of the SAPs. This is not however to say that officials of the IMF/World Bank do not recognise these consequences. Far from that. They do recognise that their programme designs could have adverse effects, especially on the poor. What is obvious, though, is the inability of the Fund and the Bank to initiate any sustained policy to reflect the concern over these social and political effects. They have chosen, "as a matter of policy, to disregard social equality as a criterion for its programmes, much less as an objective that could be imposed upon governments. Such governments thus may get away with non-metaphorical murder and then place the blame on the IMF, which is a convenient, but also willing, scapegoat."[12] Though there are signs that the Fund and the Bank have recognised the need to improve income distributions and help the poor, no practical measures in such a direction have yet been initiated. Even the much-touted Programme of Action to Mitigate the Social Costs of Adjustment (PAMSCAD) in Ghana has not received the needed financial resources to make it operative. In effect, there has been no policy and the 'trickle-down' solution is still being preached as the only panacea for Africa's economic woes.

Essentially, I argue that the international institutions got it all wrong by assuming that free-market forces and monetary instruments would yield for Africa all the results predicted by classical economic theory. This thesis points out the impracticalities that derive from this assumption. In the African situation, the simple truth is that many countries have moved towards free markets without being in a position to take full advantage of available market

[11]See World Bank, Africa's Adjustment and Growth in the 1980s (World Bank, Washington, DC, 1989)
[12]Susan George, A Fate Worse Than Debt, (Penguin Books, London, 1988) p.53

opportunities because of low capacity to adjust their production structures and also because of external constraints.

On the other hand, solutions provided by the radical political economists are seriously flawed. Their authors adopt a historical and structural approach, insisting that we cannot grasp the essence of the crisis in the conventional models of the schools of modernism which inform the remedies offered by the capitalist West and the international financial institutions controlled by them. The crisis has to be analysed, it is argued, within the changing dynamics of the world capitalist system, the structural position of African countries within the system and the failure of successive adjustment policies which address the symptons and not the root causes of the crisis. They argue that structural adjustment policies (SAPs) and other free market remedies address superficial aspects of the crisis, namely those relating to prices, trade and foreign exchange, neglecting the more basic issues of accumulation, production, technology and dependency. These authors also predict some of the political implications of SAPs, - a salvage operation for the rescue of a capitalist economy threatened by the forces of its own self-contradictions. Therefore, they contend that the task of implementation progressively demands political authoritarianism. The flaw in this analysis is that, the crisis is explained solely in terms of dependency relations between Africa and the capitalist West, which is very simplistic indeed. To be sure, a clear understanding of the African and Third World crises calls for a detailed historical analysis of the socio-economic and political structures inherited from colonial times, but one cannot also dismiss issues such as internal mismanagement and corruption, as authors of the radical school would want us to do.

The approach I suggest is the explicit acceptance of internal and external policies as being responsible for the continent's decline as opposed to the strictly "internalist" and "externalist" orientations of the IMF/World Bank and the OAU respectively. The argument is that there exists a dialectical relationship between the two.

The aim of this thesis therefore will be to find answers to the following questions, using the Ghanaian and Zambian SAPs as case studies:

A. What is the main thrust of adjustment?

B. What have been the responses to the African economic crisis and recovery programme initiated under IMF/World Bank -backed structural adjustment programmes (SAPs)?

C. Who are the losers and are there compelling reasons to protect them?

D. What is halting progress? Is it Africa's inaction or inadequate support by the international community or hostile international economic environment or combination of these factors?

E. Is it a conditio sine qua non for recovery that African countries cut down in those areas where they have made major advances during the post-independence era -i.e. education, health, infrastructural facilities or social overhead capital- in order to achieve a short-term turnaround of their economies? In other words, is there a dichotomy between socio-economic and political concerns? Or can adjustment programmes be designed to promote greater welfare for ordinary people and how? In other words, can economic growth result from greater social equality, access to education, health care and other basic services, fairer income distribution, etc. and can these be made objectives of SAPs?

F. What is the best path of development- the dominant Bretton Woods outward-directed development model or the inner-directed model of the radical political economists?

C. SCOPE AND METHODOLOGY OF THE RESEARCH

This thesis is limited to an examination of the implementation of SAPs in two countries i.e. Ghana and Zambia. However, inferences drawn from these case studies seem to reflect the general implications, especially social and political, that this policy option has for African countries. This approach is adopted because the packages associated with these programmes have been applied mechanistically without due consideration to the differing social and political conditions prevailing in individual countries. As a result, SAPs, whether designed for Ghana, Zambia, Nigeria or Mozambique always contain the same litany of recommendations, viz, devaluation, cuts in government expenditure, privatisation, import controls, foreign exchange restrictions. In view of this, conclusions drawn from these case studies may be generalised for all of Africa.

An important feature of this thesis is the method of analysis which is holistic - a composite system using man as the focal point and encompassing the economic, social and political consequences of SAPs in Africa. The uniqueness of this approach is that it analyses SAPs systemmatically taking cognisance of the interactións of the different elements of social life. By so doing, the success or failure of these programmes is seen in the effects on the human being, giving primacy to material conditions of people. Of course the economists who design the SAPs are undoubtedly more concerned with economic elements, but it is my conviction that economics cannot be treated as autonomous. The economic, social and political conditions are interdependent and interact in complex ways. Thus the need to treat them holistically. This connectedness of the economic, social and political spheres thus provides impetus to the need for an interdisciplinary approach to the study of SAPs.

To buttress this point further, it might be incisive to quote Commins, "Policies cannot be created and delivered in a political or historical vacuum. The political and organisational factors that shape the capacity of states to implement development goals or reforms are issues for both African states and for donors. How these factors are addressed will be as important as the decisions about specific policy changes. The economic difficulties hampering African economies are rooted in a variety of causes that are closely linked to the political, social and economic structures within the political economy of African countries today." [13] Commins, is in a sense, advocating an interdisciplinary approach.

The methodological implications of this is that a study of SAPs would have to take the following into consideration:

1. The economically privileged classes in Africa tend to be interested in preserving the status quo and thus increase their clout in the existing social order while those disadvantaged by the social order have an interest in changing it.

2. The economically privileged essentially control political power, because political power tends to polarise around economic power. In this way, attempts by the disadvantaged (the poor) to seek modifications to the design and implementation of SAPs are repressed.

3. Even though the need for economic reform is increasingly acknowledged, the necessary reform measures are not implemented. This is because the consensus between the political and economic elite ensures that reforms tend to serve the interests of the privileged. This has raised concerns about "adjustment fatigue" and a growing resistance among affected groups, i.e. the poor and disadvantaged in society. Economic inequality therefore sets the tone of politics and defines the role of coercion in implementing SAPs. There have been cases where governments, although persuaded of the need for particular reforms to alleviate the sufferings of the poor, have failed to implement them or are unwilling to sustain them because of pressure from the economic elite. The state's resources are thus "hijacked" by political and economic elites and pillaged to benefit themselves. In this way, policy reforms to benefit the mass of the population are unlikely to be initiated by rulers whose support is rarely drawn from potential beneficiaries.

The sources of data materials for this study include primary sources such as official documents on UN resolutions and IMF, World Bank and UNICEF publications, as well as secondary sources eg. textbooks, newspapers, journals.

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[13] Stephen Commins (ed), "Africa's Development Challenge" in Africa's Development Challenges and the World Bank - Hard Questions, Costly Choices, (Lynne Rienner Publishers Inc, Boulder/London, 1988) p.4

D. LITERATURE SURVEY

This section is an attempt to review some of the existing literature on the impact of IMF/World Bank policies on Africa's economic crisis.[14] Such an undertaking is important since research into any subject must take as its starting point a brief examination of existing literature on the subject and then seek to extend the frontiers of that thought and knowledge. In doing that, I would be trying to make my own contribution to the understanding and control of this crisis at the point at which I believe the present state of thought to be deficient.

A lot of work has already been done on Third World debt in general and the African economic crisis in particular. There is therefore the difficulty of choosing relevant material to review for an undertaking such as this. In making the choices, I have endeavoured to present authors with the various points of view ranging from the dominant liberal development theorists to the radical school of thought. Of the writers reviewed, Margaret de Vries provides justification for the IMF's austerity programmes as the best development path, a view that is reinforced by the World Bank's most recent and controversial study, <u>Africa's Adjustment and Growth in the 1980s.</u> I follow this with a discussion of two critiques by the Economic Commission for Africa and United Nations Children's Fund in the form of responses to the prevalent IMF/World Bank dogma. Susan George's radical political economy analysis of the debt stands all the IMF/World Bank prescriptions on the head. She describes the pernicious effects of the dominant model, treating the basic facts of debt - what it is, how it got there, - in rather cursory fashion arguing forcefully for a whole new radical approach in line with dependency theorists. Green elucidates the basics of the IMF/ World Bank approach and Sawyerr provides the class analysis dimension, which is missing from most publications, (inspired by the radical African political economy school to which they belong.) Finally, the

[14] The attempt to look at the issue from an IMF/World Bank perspective is meant merely to stress that World Bank lending for "structural adjustment" has brought it into an even closer working relationship with the IMF. Despite widespread opposition to IMF inspired austerity, African countries have failed to get the World Bank to push ahead with a financial package that excluded the Fund. Such a step would have strained relations between the two institutions and run counter to current western demands that they work together.

IMF's "Implications of Fund-Supported Adjustment Programmes for Poverty" is included to support the claim that has been made in this thesis: that officials of the Fund and Bank whilst admitting that their programmes affect the poor, nevertheless believe in the trickle-down theory.

The content of Margaret Garritsen de Vries' book [15] might raise the eyebrows of those, especially in the Third World, whose bitter experiences of IMF programmes lead them to regard the Fund as a rigid authoritarian institution. The book portrays the Fund instead as a human institution that itself faces the constraints of the international political and economic searches for answers to balance of payments problems in the international economy within the limits of its technical and financial resources as well as the political constraints of the existing order.

According to de Vries, the IMF, in its dealings with its "developing members", does not accept adverse external economic factors as an excuse. In all circumstances of persisting balance of payments deficits, economic adjustment is the solution. In the words of a former Fund executive director quoted by the author, "adjustment is an ever new and never ending task." [16]

The justification offered for the Fund's brand of adjustment with its insistence on controls on public spending and credit, currency devaluation and the relaxation of restrictions on external trade and payments is presented lucidly by the author. Deficits on the current account (imports and exports of goods and services) are sustained only if matched by an inflow of foreign capital to achieve an overall balance on the country's external transactions without a need to run down its foreign exchange reserves. An unsustainable deficit must be addressed by import [illegible] or increased exports and by creating conditions for an inflow of foreign capital. However [illegible] o records the observation made in the early 1970s by the Fund that increasing def[illegible] [illegible]oping countries" came about primarily from higher payments for international services such as earnings on foreign investments and external

[15] Margaret Garritsen de Vries, Balance of Payments Adjustment, 1945-1986 : The IMF Experience (International Monetary Fund, Washington, DC, 1987)
[16] ibid., p. 62

debt-servicing.

Third World hostility to the Fund's programmes is noted as early as 1963 and eventually prompted the Fund's study of programmes over the period 1963-1972. In the Fund's view as expressed by the author, developing members were "unusually sensitive" to the Fund's conditions. The reasons put forward for this "unusual sensitivity" are the multiplier effects of the Fund's conditions on a country's access to private commercial financing, and the inexperience of officials of developing countries which led to "Fund staff in effect writing many of the programmes. It thus appeared as though the Fund, to an ever greater extent was imposing conditions." [17]

The discussion of the international debt crisis discussed in the final chapters provides a revealing insight on the role of the IMF in a matter of critical interest to both its industrial and developing members. The strategy that was chosen to deal with it, the author is at pains to emphasize, was not the Fund's own creation. Officials of major industrial countries and particularly the U.S. were actively involved in its formulation and had endorsed the strategy.

At the heart of this strategy was the case-by-case approach with the ultimate goal of restoring "normal voluntary" commercial lending. After five years of IMF implementation of this strategy, de Vries concedes (albeit in a classic understatement) that it has not worked. In her own words: "All in all prospects for the debt problem at the end of 1986 could be considered rather mixed." [18] The prospects are no different today. The reasons for this state of affairs may be glimpsed from a close reading of de Vries book, which, on the whole, offers a valuable account of the IMF from its own point of view.

The UN Economic Commission for Africa (ECA) has launched a far reaching counter-attack on the World Bank's recent and controversial report, <u>Africa's Adjustment and Growth in the 1980s.</u> [19] The ECA's report [20] refutes the central tenets of the World Bank report which attempted to show that sub-Saharan African countries operating structural

[17] ibid,. p. 93
[18] ibid., p. 259
[19] World Bank, Africa's Adjustment and Growth in the 1980s, (World Bank : Washington DC, 1989)
[20] ECA, Statistics and Policies, (ECA : Addis Ababa, 1989)

adjustment programmes (SAPs) have fared better than those which do not, in spite of adverse external conditions.

The World Bank report revolves around two themes. First, it maintains that the developments of the 1970s were an aberration and that the decline in commodity prices in the 1980s constitutes a return to normal. Secondly, it argues that a true picture of the economic situation only emerges when oil-exporting countries are counted as unrepresentative. The title of the paper suggests that it covers the whole of Africa whereas, in fact, it only deals with sub-Saharan Africa. Categories and classifications are flawed and inconsistent, ill-defined or undefined. The sub-continent is broken into 'important' and 'not-so-important' countries, the criteria for which remain unclear.

A methodologocal hole in the World Bank report is its use of the concept of the 'strong shock'. It divides countries into those which have suffered such shocks and those which have not. It uses annual agricultural growth rates as a signifier of large variations in rainfall which, of course, can bring about one particular and very important type of shock. However, there is no definition of a large variation in either growth or rainfall. The ECA suggests this as another sign of off-the-peg judgements built into the methodology of the study. By adopting a private definition of normal and abnormal, shocked and unshocked agricultural growth, given the importance of agriculture to the economies of so many African countries, the whole use of GDP as an indicator becomes problematic because of the in-built bias towards counting as abnormal, countries with a low GDP growth rate. Combined with other weaknesses in the selection of data, this compromises the argument that countries with SAPs and without shocks perform better than others.

The last chapter of the World Bank report attempts to demonstrate that countries adopting strong SAPs in 1985-1987 improved their performance as against 1980-84, and out-performed weak or non-reformers, despite facing a more adverse external climate. GDP growth rates are presented to support the thesis, but when the time-frame is expanded, the growth rates of recent years look much less impressive.

According to previous World Bank reports, average annual GDP growth in sub-Saharan Africa in 1965-70 and 1970-75 stood at 4.9 per cent and 5.6 per cent but fell to 3.5 per cent in 1975-80 and to zero in 1980-86. The ECA reworked World Bank figures for GDP growth and applied them to the Bank's own categories of strongly, weakly, and non-adjusting countries but, unlike the authors of Africa's Adjustment and Growth in the 1980s, used weighted averages, thus acknowledging the difference in economic and demographic scale between, say, Nigeria and The Gambia. On the basis of such a reworking, "the performance of countries with strong SAPs was the worst of any group - a negative annual growth rate of 0.53 per cent, contrasted with a positive 2 per cent for countries with weak structural adjustment programmes and a relatively strong rate of 3.5 per cent for non-adjusting countries in sub-Saharan Africa."

Having undermined the selection and presentation of data in the World Bank report, the ECA produces more reasons for suspecting that the analysis and conclusions made on the basis of the comparisons given in the World Bank report are "arbitrary and exhibit stark manipulation of data to prove a predetermined position." The ECA paper also highlights the entirely economistic approach of the World Bank team, which takes no account of the political, social and ecological aspects of SAPs.

Also, in an unprecedented attack on the policies of the IMF in Africa, Asia and Latin America, the United Nations Children's Emergency Fund (UNICEF) has told the Fund that its austerity policies spell death for children and people in the poorest countries. UNICEF's attack comes in a document called Adjustment with a Human Face issued with its 1987 report, The state of the World's Children.[21]

The report traces the causes of the downward drag of economic forces and asserts that the 1980s have seen the most severe economic recession since the 1930s. Developing countries, we are told, were the victims of the world recession of 1980-1983, of an almost unprecedented worsening in their terms of trade (which has not been reversed despite some recovery in the industrialised countries), and of an intolerable debt burden.

[21] "Adjustment with a Human Face" in The State of the World's Children 1987 (UNICEF, Oxford University Press, Oxford, New York, 1987)

In keeping with the indepth analysis clearly portrayed in its report, UNICEF tackles head on the nature of adjustment policies using what could be called Crisis Statistics. The report estimates that between 1979 and 1983 expenditure per head on health at constant prices decreased in nearly half the African countries for which data exist. Real expenditure per head on the health services fell by 80 per cent in Ghana from 1974 to 1982. In Liberia, the allocation for drugs fell by 35 per cent from fiscal year 1981/1982 to 1982/1983. Education expenditure per head declined in a third of African countries. In spite of all the belt-tightening,the report continues, so far there is little evidence that this bitter medicine is helping to restore economic health. But there is mounting evidence of its impact on human well-being.

It is pertinent to point out that the report does not question the fact that major adjustments are required in many countries (and this writer does not either). All that is argued for is a modification of adjustment policies, to share the gains of adjustment in a different way - and to protect especially vulnerable groups in the process, both in the short and in the longer run. Adjustment with a human face requires economic growth, at least in the medium term. It is possible to sustain human needs for a while without economic growth, but eventually the effort fails. In Ghana and Zambia, prolonged economic collapse made it impossible to meet basic needs. "Adjustment with a human face is therefore growth-oriented adjustment." [22]

UNICEF's economic blueprint involves investment in small farms and manufacturing industry to boost incomes and jobs for the poor. It urges spending on roads, dams and water systems to create jobs and promote future economic growth. [23] UNICEF asks "Can we not work together in an urgent search for alternatives, internationally and nationally ?" Alternatives exist. What is needed now, UNICEF argues, is to convince decision makers at all levels - both in national governments and international institutions - to take appropriate action quickly.

[22] ibid., p.95
[23] ibid., p. 98

Ms. George sets out to expose the injustices of the international system, which she argues ensures continuing poverty of the Third World, from a radical political economy perspective. She begins by expressing the view that IMF/World Bank adjustment programmes (austerity programmes) are essentially carbon copies of each other. Same cause, Same effects. And even though she is at pains to point out that local variants exist, "the suffering borne by ordinary people as a result of these programmes is largely a question of degree measurable on a scale from A to Z. It's bad in Argentina, unbearable in Zaire." [24]

Learning from history, George recalls how the debt and default crisis of the 1870s led directly to foreign (colonial) occupation of several debtor countries. She then traces the logic further and asserts that the debt crisis of today is leading to something similar, though outward appearances are in tune with changing times. What is the basis for this conclusion? Ms. George provides justifiable reasons : "We already have an accelerated transfer of wealth from the poor countries to the rich, exactly as in the 'good old days'. Over $130 billion net repayments minus new loans - has left Latin America and landed in Northern Banks in the past five years alone. Banks are also beginning to take over national industries and other assets in the Third World in lieu of interest payments." [25]

George asks the all-important question : what is debt? and then proceeds to explain what really constitutes debt, stressing the need to examine the development models, the economic and social choices of countries now under financial siege, "since it was largely those choices that got them, and their creditors, into the present mess." She singles out the so-called mal-development model- the Bretton Woods formulation that assumed that "'emerging nations' had a single goal and must follow a single path to reach it. Never mind the appalling poverty of imagination displayed : people in authority both in the North and in the newly decolonised countries wanted the South to become 'like' the rich, industrialised (often ex-colonial) power." [26] As a result, George argues, the model is imitative: "It mimics without understanding and copies without controlling." Since this model lacked roots in the

[24] Susan George, A Fate Worse Than Debt, (Penguin Books, London, 1988)
[25] ibid., p.5
[26] ibid., p.14

local culture or environment, it quickly drops and withers if not sustained by transfusions of foreign capital, technology and ideas.

Ms. George then takes the reader through the essential features of this model. Industrialisation, she points out, is frequently its centrepiece, sometimes export agriculture relying on industrial inputs. She finds this a paradox : " the rich countries of the North nearly always built up their own industries on a strong agricultural base; the model conveniently forgets this and favours instant industrialisation over food security."

The model, she submits, has proved costly. First, it neglects the resources the local environment could provide and the skills that local people could supply, counting rather on imports, at escalating prices. Peasants are neglected and there is a concentration on a thin layer at the top of society, identified as the 'modernising' elements. This group is expected to provide the engine for further growth with the eventual result that everyone in the society will benefit through the 'trickle-down' process.

The model, Ms. George goes at length to point out, is outward-looking, and never seeks to enhance the specific, generic, original features of 'undeveloped' countries and their peoples, treating them rather as if they were a kind of undifferentiated clay to be moulded to the standard requirements of the world market and of world capital, to the uniform tastes of international bureaucrats and national ones trained in their image. Hunger, she argues, is one result. Militarisation is another. Masses of miserable people with little to lose are prone to revolt. Armed forces in Third World countries are used as often internally as against outsiders. "Debt is a further outcome of the mal-development model." [27]

Ms. George's persuasive work considers the constraints the external environment places on the Third World, stressing that the Fund appears not to recognise that poor countries have no power whatever over several important factors affecting their balance of payments. Among the factors she lists are "international inflation, which boosts the prices of imported manufactures, services, oil and food, high interest rates and weak export prices."

[27] ibid., p.15

For those indebted Third World countries seeking reprieve, George offers two choices. On the one hand, they could acquiese to the FLIC (Financial Low-intensity Conflict) a variant of neo-colonialism, that helps to prevent the Third World from posing a threat, from dictating its terms, from changing the political balance of forces in the world. Under this scenario, "the Third World remains divided, accepts the dominant, export-oriented, outward-looking model, goes on playing the game on the North's terms and sees its lifeblood gradually drained - though never quite emptied - through reimbursement." [28] She warns, however, that if this course is chosen, the North will remain in control of all the world's resources that matter and will keep its monopoly over the most crucial weapon in its financial arsenal - interest rates. These rates, she points out, are the ideal strategic tool for modulating the political costs and economic impact of FLIC.

On the other hand, she prescribes the '3-D' programme - debt, development and democracy, or creative reimbursement, for those who refuse debt slavery. Such a programme "is conditional partly on political backing in both North and South, partly on greater unity among the debtors themselves. It would also require that debtors direct economic activity much more consciously away from international markets and towards the satisfaction of their own people's needs." [29]

Such an inner-directed economy requires for Africa, in particular, a strong agricultural sector as the basis for growth. Agriculture would contribute as well to developing local, renewable sources of energy. The cornerstone of social policy would be primary health care, literacy, education and the promotion of women. Available foreign exchange would be used to acquire capital goods and basic equipment, especially for efficient transport and communications, not for arms or prestige items.

Overall, Ms. George is quite explicit about the need for political action on the part of Third World leaders. She also does not hide her preference for the inner-directed approach as the best alternative for the Third World. However, recent problems with Peru's attempt at going it alone lends more credence to the call for a more balanced approach developed in this

[28] ibid., p. 235
[29] ibid., p.236

thesis.

The main thrust of the UNICEF report, The State of the World's Children, was picked up and reemphasised in papers presented at a United Nations Conference in Khartoum, Sudan in March 1988. In view of the steadily rising tide of structural adjustment programmes (SAPs), the IMF and the World Bank naturally came in for some controlled bashing. Controlled, because after all, it was argued, the poverty and vulnerability in Africa predated the intervention of the Washington institutions. Also both the Fund and the Bank are now somewhat admitting the short-term social costs of their programmes.

Prof. Reginald Green said in his presentation at the ECA Conference that the two institutions did not deliberately design their programmes to aggravate inequality, poverty and vulnerability: "The Bank, and especially the Fund, do often find the poor and vulnerable to be invisible and/or they design programmes without actually checking their social impact...Indeed, they genuinely (if often naively or erroneously) believe that a stronger economy is a necessary (quite possibly true) and virtually a sufficient (frequently false) condition for enhancing the welfare of the poor and reducing the vulnerability of the vulnerable... On balance, it is fair to comment that the Fund (until recently and partially) simply abstracted from social and political issues in programme drafting and the Bank played up production at the expense of all other considerations in its early 1980s work on and in sub-Saharan Africa." [30]

Green felt the World Bank and other policymakers were looking for palliatives to "offset harmful effects of other stabilisation or adjustment policies." Ismail Serageldin, an official of the World Bank, seemed to agree with this point when he remarked :

> Given the severity of the financial imbalances generally faced at the outset of the programmes, and given the lags in supply responses experienced in the context of the relatively weak and undiversified economies of sub-Saharan Africa, it is to be expected that the contractionary impact of demand management policies could, over

[30] Reginald Green, "IMF/World Bank Structural Adjustment Programmes in Africa" in Economic Commission of Africa, Human Dimension of Adjustment (ECA, Addis Ababa, 1988)

> a transitional period, outweigh the positive response anticipated as a result of the implementation of trade incentives and policy reforms. This transitional phase could well be prolonged if the countries of the region were to face a tightening of the international environment, including further declines in the external terms of trade and reductions in net foreign capital inflows, or a repetition of unforseeable domestic shocks such as the 1983-1984 drought. At the same time, prospects for a resumption of sustained growth of per capita incomes over the longer term remain uncertain for many countries in the region. The realisation of this objective will critically depend on the capacity of governments to foster the development of the human capital of the population. [31]

What the distinquished World Bank representative seems to be saying is that structural adjustment is the problem, human development is the solution.

One of the most stimulating papers in this collection is that of Prof. Akilagpa Sawyerr,[32] Vice Chancellor of the University of Ghana. Sawyerr's paper addresses "the politics of structural adjustment," and asks if Africans are not faced "with prospects of austerity without end." He suggests why it was hard to envisage a successful outcome for structural adjustment programmes. (SAPs)

First, SAPs had "no credible strategy" for industrialisation based on full use of local skills and raw materials. They also militated against the political and social conditions conducive to national mobilisation and organisation for integrated development. Second, the required funding was unlikely to flow. African leaders had estimated that the African Priority Programme for Economic Recovery (APPER) needs 45.6 billion dollars in external funding for 1986-1990 out of the programme total of 128 billion dollars. Even if Africa could raise the balance of 82.5 billion dollars from domestic resources what chance is there of getting an average 9.1 billion dollars a year for five years while paying some 14.6 billion dollars in

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[31] Ismail Serageldin, "The Bank's View" in ECA, Human Dimension of Adjustment, op. cit., p.210

[32] Akilagpa Sawyerr, The Politics of Structural Adjustment" in ECA, Human Dimension of Adjustment, op. cit., p. 168. Also Quoted in Africa Recovery, June, 1988.

debt-servicing?

Then again, assuming the first two conditions, the strategy would founder on the limited export markets of both the Southern hemisphere and the industrialised economies. Finally, if a few African countries broke through the barriers, could others also succeed in the time required (10-20 years) : "What are the prospects of political stability in any sub-Saharan African country holding long enough ?"

Sawyerr's paper looks at the political and economic context in which African economies operate. Colonialism, he says, modified social, political and economic structures to integrate the colony into the world capitalist system by aligning the dynamic sectors of each economy with the interests of the dominant classes in the Western metropolitan centres, and creating the political and social conditions necessary for the reproduction of those relationships. The legacy included ruling classes allied in maintaining the post-colonial political economy with its increasing integration and subordination in the international order, the disenfranchisement of the majority of Africans and hindrance of their ability to make transformations, and the individual links between colonial and metropolitan economies precluding regional and sub-regional integration.

On the nature of SAPs, Sawyerr says they tended to entrench the dependence on external capital, the "extreme external orientation of production and trade, and the non-integration of the domestic economy," besides the failure to mobilise all domestic human and material resources for development. [33] Furthermore, prevalent remedies for economic crisis came through direct or indirect external influences which restrict the power of African governments to make fundamental policy choices : "in the contemporary world,aid and the debt trap constitute the carrot and the stick by which the industrialised economies seek to bend Third World countries to their will." [34] Hence, the important role of the Fund and the Bank as instruments of control. In the post independence era, imperialism needs to control developments within Third World countries, at least to the extent of putting in place, or keeping in being, mechanisms which reproduce the conditions of dependence ... (and

[33]ibid., p. 175
[34] ibid., p. 192

facilitate) the continued extraction of surplus value therefrom.

Sawyerr's closely argued paper goes on to political implications of structural adjustment. The increasing hardships arouse opposition to SAPs, and tend "to isolate the alliance of minority groups who, in concert with foreign interests, support the programme; it therefore becomes necessary for the ruling alliance to prevent public discussion of the programme, and suppress (administratively or violently) leading individuals and organisations (intelligentsia, trade unions) that criticize the programmes. He sees no surprise in military regimes and authoritarian civilian governments, "whether of the one-party, no-party or multi-party variety," providing the political conditions conducive to the maintenance of the current crop of SAPs in Africa."

Then the question which is the methodological and analytical foci of this thesis : Can the SAPs be carried out with a "human face"? Sawyerr finds basic contradictions between demand management policies and the "human dimension" concerns. Will the present privileged classes allow a real transfer of resources ? Do the budgetary, credit and interest rate policies permit genuine redistribution ? For how long will the retrenched thousands receive handouts ? "The fact of the matter is that the (human dimension) proposals run counter to the basic thrust of structural adjustment programmes, namely the market-determination of prices, the allocation of resources and the reduced role of the state in the management of the economy."[35]

Sawyerr works towards the conclusions that collective action is required in Africa for economic transformation; that African peoples will make sacrifices for governments that genuinely articulate their interests; that governments with a less cynical view of the limits of their population's tolerance will negotiate more successfully with Washington. An important element which can be discerned in Sawyerr's and Green's papers is a call for democratisation of the process of programme design.

Some contributions note the fallacious presentation of SAPs as having shifted resources from urban to rural areas, the alleged "exploitation" of rural producers by an

[35] ibid., p. 197

undifferentiated urban population of consumers. Such contributors note that the urban poor had suffered the worst decline in real income (apart from drought and war-related victims). This does not obscure the increases in rural poverty, the increased income in rural areas for big landowners, moneylenders and so on. It is in the more accurate, and less divisive, identification of population categories and interest groups that "human dimension" policies will be usefully articulated.

This collection of Khartoum conference papers represents some kind of landmark in development discourse. It serves as a concentrated focus on issues that have been rather submerged in the 1980s, at least at government level. These issues centre on human survival and the conditions in which humans can be productive. "The end result of adjustment measures," we are told, "is a deepening crisis which in turn precipitates declining social welfare and increased human misery. Conventional indicators showing the worsening human situation include health, education, nutrition, per capita incomes, income distribution and employment; and non-conventional indicators include corruption and repression." [36]

On a somewhat brighter note the IMF admits in a recent report that the poor become poorer under SAPs.[37] The report concludes that during Fund-supported adjustment programmes, some groups of the poor gain, while others become worse off. The report appears to be a response to the growing criticisms of the Fund, which is seen as being narrowly preoccupied with macroeconomic policy instruments. The ever-swelling ranks of critics say that in its obsession with "getting things right", the Fund ignores the harsh impact of its programmes on the most vulnerable group, the poor. While rejecting the attack the Fund nonetheless acknowledges its critics: "How to improve the efficiency of design of Fund-supported adjustment programmes and to minimise the economic and human cost of adjustment are important issues that have always confronted the Fund, but about which public concern is now particularly acute," say the authors in the introduction.

[36] See Introduction, ECA, Human Dimension of Adjustment, ix
[37] The Implications of Fund-Supported Adjustment Programmes for Poverty. (IMF, Washington, DC, May, 1988)

The report examines nine IMF programmes in seven countries, chosen both for their regional diversity and because they share certain characteristics. In all the sample countries, a few primary commodities dominate production and exports. In most of the countries the poor are predominantly landless rural workers or smallholders.

The study looks at the typical policy instruments which are associated with IMF programmes - money and credit policies, pricing policies, labour market policies, exchange rate policies and fiscal policies - and examines the implications of these for the poor. In most instances, the findings are equivocal. The effects of these policies vary from country to country and depend on implementation, say the authors.

According to the report, money and credit policies which aim at limiting domestic credit expansion are favourable to the poor as they help reduce inflation and can increase the supply of loanable funds available to the poor. But credit restraint can also increase unemployment and reduce output which "may seriously hurt some poverty groups." [38]

Price liberalisation policies, which have been the focus of substantial criticism, have benefited the poor, the authors claim. "In Ghana, these policies have shifted transactions from the black market to the official market. This has meant that the public revenue base has increased, which had made more funds available for the provision of services to the poor." [39]

The report goes further to say that the extent to which the poor are hurt by currency devaluation, a key instrument in Fund-supported programmes, depends on the structure of the economy. The poor will benefit if the production of traded goods is in their hands but will suffer if production is capital-intensive or dominated by a few, large companies. If the poor predominantly consume tradable goods rather than use them as inputs, they will be more adversely affected by devaluation. "Agricultural smallholders in both Ghana and Kenya benefited from devaluation as it enabled them to shift their trade from parallel markets to official markets where goods are less costly. Currency devaluation also increased revenues from taxes on international trade enabling governments to provide more social services to the poor," claim the authors. It is argued that the ill-effects associated with devaluation must be

[38] ibid., p. 75
[39] ibid., p. 88

balanced against "the improved economy-wide efficiency associated with an exchange rate depreciation." This, it says, "offers the poor the opportunity to share in the benefits derived from better growth and employment performance." [40]

Furthermore, price subsidies can often benefit middle income groups more than the poor and their removal will therefore have a greater negative impact on the former. But compensating measures are needed to cushion the impact on the poor of the removal of subsidies on goods consumed primarily by them. In Sri Lanka, stamp schemes for food and kerosene were used to protect the most vulnerable groups against the removal of subsidies.

Stating the obvious, the authors say the one area in which the poor may be hurt in both the short and long term is cuts in capital expenditure. Sharp cuts in capital spending in Kenya, which reduced expenditure on rural infrastructure, may have prevented poor farmers from responding to improved price incentives, the authors admit. But they contend that social services were largely protected from cuts in Kenya and Ghana.

This IMF report is essentially an affirmation of the Fund's macroeconomic strategy of adjustment. While conceding some short-term ill-effects of Fund programmes on the poor, it insists that in the long-term stabilisation programmes safeguard the interests of vulnerable groups. In an important sense, therefore, the point being made by Fund critics is missed.

The African economic crisis, as is obvious from the literature surveyed, cannot be viewed as an isolated phenomenon but as part of a wider global economic malaise. The critique of the SAPs, thus offered, may be viewed as a defence of the interests of the African poor and of an economy struggling within the confines of neocolonialism. It is being argued that IMF and World Bank programmes are designed to integrate countries in Africa (like Ghana and Zambia) more efficiently into the international capitalist system, in the role of exploited workers. Such programmes also tend to be seen as strengthening those sections of the local population who benefit most from the development of capitalist relations.

This critique can be amplified, analysing the common features of the recovery and adjustment programmes being implemented in Africa in the following terms : that they tend

[40] ibid., p. 91

to entrench dependence on foreign capital; consolidate the external orientation of production and trade; maintain the absence or paucity of linkages within the domestic economy; and limit the scope of political and economic choice by requiring a domestic climate conducive to good relations with foreign creditors.

The literature thus surveyed presents us with a neat synthesis of the politico-economic and social approach to structural adjustment and conditionality within the context of African development. The body of material reflects a very useful comprehensiveness derived from the writers' avoidance of technical and theoretical detail.

E. FRAMEWORK OF ANALYSIS

It is obvious from our survey that the emphasis of stabilisation and adjustment programmes has been on macro-economic indicators, such inanimate things as gross domestic product, current account and budgetary balance, rates of interest and savings. However the goal of economic development is the improved welfare of human beings. It is human beings, after all, who, in conjunction with tools and materials, perform economic activities. Most people would thus agree with the assertion that the human dimension is the sine qua non of economic recovery. As UNICEF's Richard Jolly, a co-author of Adjustment with a Human Face, put it : "There is no economic logic, let alone humanitarian logic, in neglecting the human dimensions in the making of policies which,are supposed to put the country 'back on its feet', the phrase that has no meaning if the people are lying on their backs, seriously malnourished."[41]

The United Kingdom's Minister for Overseas Development, Christopher Patten, sums it all up : "Politics is at the heart of the adjustment process. Internationally and intellectually, the political debate in favour of structural adjustment with a human face has been won." Patten offers "3 Rs" - revival of growth, reallocation of resources and restoration of social services - "We need to take explicit account of the impact of all this on the poor. To take action to protect - not mollycuddle - them. The poor often lack political weight. Their interests need safeguarding." [42]

Economic policies or principles cannot be pursued without taking into consideration socio-political issues. Any government that pursues economic rationality at the total expense of political wisdom is doing so at its own risk. This statement should definitely be of relevance to those advocating the growth of African economies rather than its development vis-a-vis the structural adjustment programme. Says Pius Okigbo, "At the centre of (any) antimony stands man. Growth and development have no meaning if they are not concerned

[41] Richard Jolly, Paper Presented at Symposium Organised by UNICEF-UK, the World Bank and UK's Overseas Development Institute. (London, March 1988)
[42] Christopher Patten, Paper Presented at Symposium Organised by UNICEF-UK, the World Bank and UK's Overseas Development Institute in London, (March, 1988)

with man."[43]

The focus should be on the poor and vulnerable sections of African societies - women, children, the youth, the aged and the disabled, refugees and the displaced, the rural and urban poor - this is the majority of African people. From being a late adjunct, human and social concerns can now become the focal point of adjustment programmes.

This thesis must be seen, therefore, as an attempt to inscribe the human factor into the balance sheet of economic recovery programmes. There can be no structural adjustment or economic recovery in the absence of the human imperative. The question we must pose is : Is man made for economic recovery or vice versa ?

At the back of all this are the doubts about the viability of export-led and IMF/World Bank-backed recovery programmes to promote self-sustaining growth and development. Alongside the perestroika of structural adjustment there is a strong case for a little more glasnost with notions like human rights, freedom of expression etc. which the realisation of the importance of the human imperative of adjustment might well help bring about. The point about glasnost needs amplification because as it has been pointed out elsewhere, the political conditions conducive to implementation of SAPs seem to be best guaranteed by authoritarian governments (whether military or civilian) in which there is an absence of public discussion of national affairs, where criticism of a jumpy government becomes "subversion." In Africa, too many governments are using IMF/World Bank programmes as a convenient excuse for more severe repression, for breaking the backs of trade unions, driving down wages and bringing their own people under greater control.

[43] Pius Okigbo, Essays in the Public Philosophy of Development, (Fourth Dimension Publishers, Nigeria, 1988)

F. ORGANISATION OF WORK

The entire thesis is divided into five chapters. The first chapter contains a brief introductory discussion after which the scope, purpose and method of the research adopted for the study are discussed.

Chapter two examines the two main models of development put forward by analysts, intellectuals, policy makers, etc. to solve the economic crisis in Africa viz, the IMF/World Bank free market "internalist" model and the dependency "externalist" approach of the Lagos Plan of Action.

Chapters three and four provide detailed analysis of the SAPs that have been implemented in Ghana and Zambia respectively, stressing the social and political implications for the peoples of these countries.

Chapter five draws conclusions from the case studies and the consequences for Africa in general. An attempt is made to suggest suitable solutions that could go a long way to help alleviate the economic crisis in Africa.

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II. CHAPTER TWO - A TALE OF TWO PATHS TO DEVELOPMENT

In the 1980s as the African economic situation reached crisis proportions, the IMF/World Bank began playing increasing roles in trying to find solutions. Various publications by the international financial institutions generated heated debates. Critics pointed out that the publications focused more on internal reforms. That is, the burden of reform and change was laid upon African governments and their policies, disregarding international economic relations or donor policies. Such critics (and the LPA was a publication following this tradition) pointed to a host of external factors as the primary cause of Africa's economic malaise. This chapter provides a critical analysis of these publications viz, the World Bank's reports and the Lagos Plan of Action, highlighting their strengths and weaknesses, and an overview of some of the internal and external causes of Africa's underdevelopment.

A. ANALYSIS OF THE WORLD BANK'S AGENDA AND THE LAGOS PLAN

What has been the development path for Africa? Two have clearly emerged - the World Bank's Agenda for Accelerated Development in Sub-Saharan Africa (AD)[44] and the Lagos Plan of Action (LPA) [45], the statement of African development strategy adopted by the OAU's heads of state in 1980. The main recommendations to the African governments in the World Bank's report are :

1. Address the exchange rate problem and the need for economic stabilisation to which it is related. Devaluation, and other instruments of adjustment, i.e. fiscal, monetary, wage and price policies, have to be appropriate if any exchange rate adjustment is to stick and an economic stabilisation programme is to work,

2. Agricultural development has to be given renewed priority, with the main focus being on smallholders. This emphasis on smallholders, it was argued, would provide incentives

[44] World Bank, Accelerated Development in Sub-Saharan Africa : An Agenda for Action (Washington, DC : World Bank, 1981)
[45] OAU, Lagos Plan of Action for the Economic Development of Africa, 1980-2000 (Geneva : International Institute for Labour Studies, 1981)

viz, better prices, more consumer goods and services, better access to inputs, more open and competitive marketing systems,

3. Better economic management and mobilisation of private resources and skills by allowing private agents to perform tasks now frequently monopolised by government. The report stresses the point that public sector monopolies in marketing, transport and other services should be opened to competition from private traders and truckers, cooperatives and any other economic agent.

These recommendations amount to a tacit approval for the use of laissez faire economic orthodoxy and Reaganomics as a panacea for Africa's economic woes. Severe criticism of the report has therefore not ceased forthcoming. For instance, dependency theorists like Samir Amin [46] have argued that AD seeks to integrate Africa into the world capitalist economy in the role of export producers subject to all the fluctuations and constraints of the international capitalist market economy. Other critics point to the neo-colonial nature of such a development strategy in which the role of Africa is one of inferior status in the world division of labour - the hewers of wood and drawers of water as they say. What is more, one needs to highlight the ineffectiveness of a primary commodities export-led growth bearing in mind that the demand of these primary products is price inelastic - demand does not greatly rise when prices fall.

However, to be fair, critics have tended to ignore AD's explicit statement that its recommended agriculture-based and export-oriented development strategy "is not a permanent course for any country." [47] On p.95 it says "An agriculture-oriented development strategy with industry in a supporting role does not mean that Africa would forego industrial development. Long-term industrial growth might, in fact, be higher with this approach. Although agriculture would be the driving force, industry would still grow faster than agriculture." The question is which form of industrial development strategy is suitable? I would say that which lays emphasis on industries that do not require substantial foreign

[46] Samir Amin, 'A Critique of the World Bank Report Entitled "Accelerated Development in sub-Saharan Africa"', Africa Development, Vol. 7 (1982) No. 1/2, pp. 23-9.

[47] World Bank, Accelerated Development in sub-Saharan Africa, op. cit., p.6

exchange outlay so as to ensure that scarcity of foreign exchange does not turn such industries into white elephants.

In reaction to the critics of AD, Toward Sustained Development presents a much more conciliatory analysis : "There are no panaceas. Policy reform does not, in particular, simply mean 'getting prices right'." [48] This point is buttressed by Elliot Berg, one of the architects of the report, when he acknowledges that there was probably too much emphasis in AD on changing agricultural policy. [49] There are alternative incentives to rural producers, e.g. improved availability of inputs and consumer goods, which are less costly to governments - both in economic and political terms - than price increases.

AD also clearly supports the theory that efficiency is best achieved by the private sector and the World Development Report 1983 is explicit about this, stressing in one breadth the need to reassess priorities, prune what has become unmanageable, and strengthen the effectiveness of the state's core responsibilities [50] and in another "the greater potential for competition and the ever-present possibility of bankruptcy exercises a discipline over private business that is lacking in the public sector." [51] No mention is made whatsoever of the fact that the private sector (mostly multinational corporations) is as parasitic as the public, often requiring generous subsidies and incentives to make them efficient.

To be sure, AD's call for internal policy reform is welcome. There is definitely a need to reassess priorities , and it is reassuring to note that African governments have turned their attention to this. However, the report erred by failing to give detailed consideration to exogenous factors even though subsequent World Bank reports [52] made cryptic references to them. Nowhere, furthermore, did the report accept the Bank's own policy errors, a point

[48] World Bank, Towards Sustained Development in Sub-Saharan Africa : A Joint Programme of Action (Washington, DC : World Bank,1984) p.6

[49] Elliot Berg, "The World Bank's Strategy" in John Ravenhill (ed.), Africa in Economic Crisis (Columbia University Press, New York, 1986) p. 55

[50] World Bank, World Development Report 1983 (New York : Oxford University Press,1983) p.46

[51] ibid., p.51

[52] See World Bank, Sub-Saharan Africa : Progress Report on Development Prospects and Programmes, 1983 and Towards Sustained Development in Sub-Saharan Africa : A Joint Programme of Action,1984.

exemplified in Margaret de Vries' book where the author argues that failure of projects were the result of inefficiency and mismanagement on the part of African governments and bureaucrats. As if these "oversights" were not enough, the report fails to acknowledge the political constraints on government action. As John Ravenhill suggests, "by refusing to admit that economic rationality and political rationality do not coincide, the Bank implicitly suggested wanton stupidity in policy-making on the part of African governments. Policy reform was portrayed as a painless political choice - as if the coincidence of urban unrest/coups with food price rises and currency devaluations had entirely escaped the notice of the Bank." [53]

The Organisation of African Unity (OAU) strategies for alternative development, expressed in the eloquent programme the Lagos Plan of Action (LPA), like the basic theories behind the New International Economic Order, have been around for years. Adopted with the assumption that it is quite possible for a country to be politically free and yet economically in chains, the Plan was seen as the signal for the commencement of Africa's struggle for economic independence. As it was observed, without political independence it was impossible to achieve economic independence; and without economic power, political independence was meaningless, incomplete and insecure. The main pillars on which the LPA was based are as follows : [54]

1. The deliberate promotion of an increasing measure of national self-reliance;

2. The acceleration of internally located and relatively autonomous processes of growth and diversification and the achievement of a self-sustained development process;

3. The democratisation of the development process;

4. The progressive eradication of mass poverty and unemployment and a fair and just distribution of income and the benefits of development among the populace; and

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[53] John Ravenhill, "The Elusiveness of Development" in Ravenhill (ed.), Africa in Economic Crisis, op. cit., p.5

[54] Adebayo Adedeji, "The Monrovia Strategy and the Lagos Plan of Action : Five Years After," in Adebayo Adedeji and Timothy M. Shaw (ed.), Economic Crisis in Africa : African Perspectives on Development Problems and Potentials (Lynne Rienner Publishers, Inc., Boulder, Colorado, 1985) p.15

5. The acceleration of the process of regional economic integration through cooperation.

The LPA, commentators such as Samir Amin, Adedeji and Shaw have argued, contains within it seeds of far-reaching reforms. The emphasis in Lagos was on self-reliance and self-sufficiency, toward separating Africa to some degree from dependence on the world capitalist system that has proved unable to cope with the problems that the 1980s were putting before it. The salient features of this new nationalism (in the LPA) in a world system under stress were discussed "combining contemporary dependencia, environmentalism, and basic human need with indigenous and long standing values and priorties." [55]

With this in mind, advocates of the LPA have argued that it was a radical document that saw external causes as the main reason for Africa's underdevelopment. In this scheme of affairs, the neocolonial development strategy which African governments pursued after independence by extending the dependence of their economies in virtually all areas was the cause of the continent's development woes; self-reliance and regional cooperation were to be the only way out.

While avoiding cynicism, and while admitting that the OAU proposals are undoubtedly action-oriented, it is nevertheless possible to express some reservations and sound a note of caution. The most important proposal was an African Common Market to be established by the year 2000. Intra-African cooperation in theory and practice is not novel. In some ways, Nkrumah was ahead of the Lagos Conference for grafting socialism on to African communalism. Yet, whilst this sounds sensible, there is, of course, no need to remind observers of what happened to the East African Community. The Economic Community of West African States (ECOWAS) is much healthier, but it should be remembered that it still has its difficulties. The Mano River Union seemed to be a thriving example of small-scale cooperation until its virtual collapse. It would therefore need a very optimistic person to think that the infinite complexity of a continent-wide Common Market could be made to work.

[55] Adebayo Adedeji and Timothy M. Shaw, "Africa's Condition and Projections for the Future, in Adedeji and Shaw (ed.), Economic Crisis in Africa, p.3

To suggest that the LPA is unlikely to result in exactly the type of action visualised does not mean that there are not a great number of most valuable proposals in the document. The analyses on which the plan was based are incontrovertible. The introduction begins : "the effect of unfulfilled promises of global development strategies has been more sharply felt in Africa than in other continents... successive strategies have made the continent stagnate and become more susceptible than other regions to the economic and social crisis suffered by the industrialised countries..." [56] The crisis is real. If nothing is done disaster awaits in the future. The basic formula must also be right : self-reliance and self-sustained development. There are, however, still hurdles to be overcome before the Plan of Action can be effective.

The fact is all too evident that the African countries confront an international economic system which is chronically unbalanced and inherently unstable. Faced with this system, their economic options cover only a very narrow range. The LPA as an option is in detail seriously flawed, especially in its adamant refusal to assess internal constraints, and is likely to lead to concrete action in very limited fields. The World Bank report, on the other hand, by ignoring exogenous factors, failed to critically analyse the African economic malaise. A far better approach is to develop a holistic development strategy that includes portions of both plans and that in essence treats internal and external aspects of such issues as environment, economics and gender as well as infrastructure. There is a clear case for a restructuring of the internal as well as external environments, if any development strategies for ameliorating Africa's economic decline are to be successful. A development strategy that promotes a primary commodity export-led growth would prove unsuccessful. Neither would one succeed which promotes a complete delinking from the world system or blames that system entirely for all economic woes.

[56] OAU, Lagos Plan of Action, op. cit., Preamble.

B. INTERNAL AND EXTERNAL CONSTRAINTS ON AFRICA'S ECONOMIC RECOVERY

The decline in Africa's per capita income, which began in the 1970s and accelerated in the 1980s, has wiped out most of the gains which its people had made in the decade which followed freedom from colonialism in the 1960s. The causes of this decline are both internal and external, contrary to the orthodox belief (held by the IMF/World Bank as well as Western creditor nations) that the problems are only internal. To be sure, African governments cannot be absolved of blame. Many of them have pursued domestic policies which contributed to this deterioration, but one cannot adequately explain the African predicament without a sombre assessment of the many external factors beyond the continent's control which are also responsible for this state of affairs.

African countries are overwhelmingly agricultural, with a vast majority of their people engaged in farming. A thriving national economy, therefore, as Michael Chege points out, "requires a robust agricultural sector." [57] This is true even in countries which are heavily dependent on mineral exports, as Zambia, Zaire, Gabon and Nigeria have painfully discovered, each in its own way. Yet, as the World Bank's 1981 report, Accelerated Development in Sub-Saharan Africa, [58] acknowledges, most African countries have consistently discriminated against agriculture in a number of critical policy areas. Budgetary resources allocated by governments to agriculture have been declining in real terms. When agricultural innovation and rehabilitation were becoming urgent priorities in Africa, agricultural research, maintenance of extension services, and affordable availability of critical inputs such as fertilizer and tools were becoming preeminent budgetary casualties and regimes of producer price controls which deter production have been maintained. Producer prices, have not kept pace with costs of farm inputs and consumer goods purchased by the farmers. "In effect, the <u>internal terms of trade</u> have moved against the farmer and industrialisation as a development strategy has been emphasised over agriculture by African governments and their advisers generally." [59]

[57] Michael Chege, "Where Africa Went Wrong", Africa Recovery, Feb-April 1987, No.1 p.6
[58] World Bank, Accelerated Development in Sub-Saharan Africa, op. cit.,
[59] Michael Chege, op. cit., p.6

These factors, together with the maintenance of overvalued exchange rates,[60] ineffecient marketing channels and high administrative costs which translate into high unit marketing costs of agricultural produce ensure that the farmer receives only a small proportion of the market price for his/her produce. This situation further led to the surfacing of "black markets" and smuggling across borders. For instance, it is an open secret that a vast amount of Ghana's cocoa ends up in Togo and Ivory Coast where farmers receive better prices for their produce. Not surprisingly, therefore, a major component of Ghana's ERP has been the devaluation of the cedi, an increase in the producer price of cocoa and a massive retrenchment and reorganisation of the state Cocoa Marketing Board (CMB). "By May 1987, 28,000 of the CMB's 74,000 staff had been laid off. The exact figures give a 38.8 per cent layoff rate. The price of cocoa per tonne which was 12,000 cedis in 1982 had been raised in successive years and in 1987 stood at 140,000 cedis representing only 27 per cent of world market price thou[illegible][61]

One needs also to assess the negative impact of rapid population growth, corruption and nepotism. However, as has often been pointed out, the most important internal constraint to Africa's sustained economic growth is political. All over the continent there persists a system of clientelist politics with governments seeking to generate resources to satisfy political cohorts. There clearly exists an indigenous capitalist elite (the privileged) whose clout within governments cannot be denied and whose increasing link with the political elite is becoming obvious. This link between the political and economic elite has ensured that any policies that are deemed inimical to generating economic surplus for these privileged classes are shelved and any protests by the vulnerable in society consequently crushed.

[60] Economists argue that an overvalued exchange rate against a background of a domestic inflation rate translates into two distinct phenomena in the agricultural sector: First, it can make imported food cheaper than the local produce; Secondly, it lowers the agricultural producer income in real terms, making farming an unattractive venture.

[61] Kwesi Jonah,"The Social Impact of Ghana's Adjustment Programme 1983-1986".Paper presented to the Institute of African Alternatives,Conference on the Impact of IMF and World Bank Policies on the People of Africa. (London:September 1987)

Given the emphasis of the macro-economic conscious institutions and policy makers on internal policy reform, the impression is created that e African countries initiated these reforms, their economies would be on the road to rec wever, despite the determination with which most African countries are pursuing and strengthening internal policy reforms, the overall economic situation remains critical, and part of this can be blamed on external constraints.

One of the potent external constraints is the continent's commodity dilemma. As the orthodoxy goes, Africa has neglected its agriculture and needs to increase export production. Commodities are just about the only source of Africa's external income, and the continent is heavily dependent on this income for importing much of its agricultural inputs, plant and machinery, medical supplies, fuel and even food. However, the SAPs have not ushered in growth because of the collapse in commodity prices, which have plummeted from their already low levels of 1985, (a loss of about $19 billion in export income in 1986 was almost a third of its $64 billion income the previous year) and dealt a devastating blow to its projected investment and development plans. This loss brings home more than ever the need for Africa to diversify its economic base away from the export of primary commodities, since there has been a fundamental, structural shift in their demand in the international market place.

As illustrated in Table 1, in 1986 primary products taken together contributed almost nine-tenths of total export earnings - a much higher proportion than for any other groupings in the table. This figure is admittedly influenced by the large oil exports of Nigeria and a small number of other African countries, but the 1986 figures for the share of primary commodities other than fuels, minerals and metals reveal a similar contrast with other developing countries.

One other feature to notice from the table is that while the share of primary products has fallen quite sharply for developing countries as a whole over the last two decades, it has hardly declined at all for Africa. The continent has been missing out in the global diversification of exports away from commodities and contributes only tiny fractions of world trade in manufactures and services. Many African countries are, moreover, heavily dependent on only a small number of commodities. This leaves them particularly vulnerable to the vagaries of markets which are often notoriously unstable, with IMF calculations showing Africa's non-fuel export prices and earnings far more unstable than those of Asia and Latin America.

Table 1 Comparative Shares of Primary Products in Total Exports, 1965 and1986 (%)

	Fuels, Minerals and Metals		Other Primary Products,		Total Primary Products	
	1965	1986	1965	1986	1965	1986
Sub Saharan Africa	33	48	59	40	92	88
Low Income Countries	17	15	57	40	74	44
Lower Middle Income Countries	29	38	63	34	92	72
Upper Middle Income Countries	39	25	39	16	78	41
Industrial Market Economies	9	8	22	12	31	20

SOURCE: WORLD BANK, WORLD DEVELOPMENT REPORT, 1988

As an ODI briefing paper suggests, the greatest of the problems arising from Africa's dependence on these markets is that their prices have been falling sharply relative to the prices of manufactured goods. "As a result, the share of non-fuel commodities in total world exports fell from 30 per cent in 1966-67 to 17 per cent in 1983-84; and by 1986, following a prolonged period of decline, the index of "real" (purchasing power) prices of non-fuel commodities was lower than at any time since 1870, which is the starting point of available prices series. By 1987, the index was 33 per cent below the 1930 level and only half of the previous peak in the early 1970s."[62]

Given the importance of international trade to virtually all African countries, the consequences of these trends have been predictably severe. They have drastically reduced the continent's ability to buy imports - the volume of imports fell by 7.5 per cent annually in 1980-86 and aggravated the already severe difficulty of meeting debt-servicing obligations. The ODI reports that the deterioration of both the export and import positions has also reduced government revenues, adding to budget deficits and enforcing cuts in government spending on social services and investment. "The weak export prices have reduced the incomes of those who derive their livelihood from cash crops and mining; and import shortages have reduced living standards, in addition to undermining productive capacity. It is thus not surprising to find that during the 1980s, average incomes have been falling by an estimated 2.9 per cent a year for sub-Saharan Africa as a whole- again a much worse outcome than for any other developing country group." [63]

Debt is also a major agenda item for Africa. The gravity and continued deterioration of the African debt crisis have recently been confirmed by statistics published by the IMF. In a special supplement to the IMF survey,[64] the IMF shows that sub-Saharan Africa's total external debt, including arrears and use of Fund credit, rose from $122.4 billion, equivalent to 61.6 per cent of the region's gross domestic product, at the end of 1986, to $137.8 billion or 69 per cent of GDP at the end of 1987. The issue of debt continues to dominate Africa's economic agenda.

More telling than this ratio, however, is the debt service ratio, which often serves as a rough indicator of creditworthiness because it shows the relative burden of debt service obligations in relation to what a country earns from its exports of goods and services.

[62] Overseas Development Institute, Commodity Prices, Investing in Decline ? (ODI: London,1988)
[63] ibid., p.20
[64] International Monetary Fund, IMF Survey, Supplement June 1988

Reflecting the slump in Africa's export earnings, from an average of $49 billion a year in 1979-81 to $35 billion a year in 1986-87, due to the slide in commodity prices, the ratio of debt to exports of goods and services deteriorated from 93.8 per cent in 1980 to 330.1 per cent in 1986 and 355.4 per cent in 1987.

The IMF study reports that between 1980 and 1987 only 12 of the 44 sub-Saharan countries were able to service their debt as scheduled, without either running up arrears or resorting to rescheduling agreements with their creditors. In fact, a considerable proportion of scheduled debt srevice is not being paid by hard-pressed African countries, but is either being rescheduled or accumulated as arrears. As of 12 May 1988, five countries in sub-Saharan Africa (Liberia, Sierra Leone, Somalia, Sudan and Zambia) were ineligible for use of IMF resources because of their arrears to the Fund. Actual debt service doubled to $12 billion a year between 1980 and 1985, but then declined to about $10 billion a year in 1986-87 due mainly to large rescheduling arrangements. However, scheduled debt service in 1988-89 is projected at $21.4 billion a year, well over twice as much as actual debt service payments in 1986 or 1987. If all this was paid, which of course it cannot be, debt service would devour no less than 54.4 per cent of sub-Saharan Africa's earnings from exports of goods and services, according to the IMF projections, compared to actual debt service ratio of 26.4 per cent in 1987.

Table 2. External Debt and Debt Service of Sub-Saharan Africa (in millions of U S Dollars)

	1982	1983	1984	1985	1986
DEBT					
Total External Debt	68,924	77,955	80,192	90,564	102,030
long term debt	56,298	62,523	64,019	72,953	88,158
public and guaranteed	52,440	58,440	59,239	67,798	84,079
private non guaranteed	3,858	4,083	4,780	5,155	4,080
use of IMF credit	3,997	5,089	5,259	6,008	6,347
short term debt	8,628	10,344	10,914	11,603	7,525
LONG TERM DEBT FLOWS					
Disbursement	12,045	12,280	8,480	7,756	8,555
Principal repayments	3,076	3,517	4,493	5,570	4,250
Net flows	8,969	8,763	3,987	2,186	4,305
Interest payments	2,704	2,796	3,212	3,419	2,776
Net transfers	6,265	5,967	776	-1,233	1,529
Total debt					

service	5,780	6,313	7,705	8,989	7,026
MAJOR ECONOMIC AGGREGATES					
GNP	171,834	169,649	163,731	161,076	146,265
Exports	36,714	33,953	37,428	38,019	32,641
Imports	54,721	47,082	42,441	44,059	40,684
KEY RATIOS					
Total external debt/ exports(%)	187.7	229.6	214.3	238.2	312.6
Total external debt/ GNP(%)	40.1	46.0	49.0	56.2	69.8
Debt service/ exports(%)	13.5	16.5	18.4	21.2	19.1

SOURCE: WORLD BANK, WORLD DEBT TABLES.

Finally, in spite of the wide ranging internal reforms undertaken by African countries, inadequate financial commitment/response from the international community is dampening the whole recovery process. In fact, so lopsided has been the financial flows picture that sub-Saharan Africa- the world's poorest region- actually became a net exporter of capital to the IMF, paying nearly $1.75 billion more than it received from the Fund in 1986 and 1987. A report released at United Nations headquarters in New York on 24 February 1988 urged the international community to provide a minimum additional $5 billion a year to sub-Saharan

Africa to help offset huge financial losses over which the region has had little control. As the group warned, unless additional assistance is quickly forthcoming, "the consequences, in both political and economic terms, could be incalculable." [65]

One thing can be discerned from all this. Africa's problems arose from a combination of two basic factors : exogenous and endogenous. The endogenous aggravating factors include deficiences in institutional and physical infrastructures, economic strategies and policies that have fallen short, in some cases, of achieving their objectives, disparities in urban and rural development and income distribution, insufficient managerial/administrative capacities, inadequate human resource development, and lack of financial resources, the demographic factors and political instability.

The serious aggravating exogenous factors include the recent international economic recession, the decline in commodity prices, adverse terms of trade, the decline in financial flows, increased protectionism and high interest rates. The heavy burden of debt and debt-servicing obligations also constrains Africa's prospects for economic growth.

[65] United Nations, Advisory Group Report on Financial Flows to Africa (UN: Washington, DC, 1988)

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III. CHAPTER THREE - GHANA'S ECONOMIC RECOVERY PROGRAMME IN PERSPECTIVE

We need time to reduce our need of the IMF by seeking alternative ways of production. Small is good at least for us.

(Flt-Lt Jerry John Rawlings, Feb,1983)[66]

The yardstick by which our success or failure as a nation and people should ultimately be judged is by the condition of the human being himself. We must ultimately judge our progress by the quality of the individual Ghanaian, by his knowledge, his skills, his behaviour as a member of society, the standard of life he is able to enjoy and more importantly, by the degree of cooperation, harmony and brotherliness in our community life as a nation.

(Flt-Lt Jerry John Rawlings, December,1988)[67]

Since 1983, the Provisional National Defence Council's economic recovery programme (ERP) has been a dominant factor in Ghana. Presented as the foundation for a viable and self-sustaining economy, the ERP has defined the government's room for economic manoeuvre according to agreed conditionalities and performance criteria, as well as set the parameters of national politics. When the time bomb of the ERP was dropped, it was clear from the start that its negative impact would be felt by the low-paid majority of Ghanaians. This has cost the government the political support of the numerically small but strategically important organised student and labour movements in Ghana as well as of various groups which had supported the PNDC when it took over power in 1981. These strained relations between the government and its supporters has led the PNDC to consider these groups to be the most dangerous source of internal opposition and consequently to suppress them.

At present, the hardships seem endless, security is very tight, and morale rather low. In the interests of political stability, the government's social consciousness is being rehabilitated through the Programme of Action to Mitigate the Social Costs of Adjustment (PAMSCAD) scheme to alleviate the social costs of structural adjustment. This chapter

[66] Observer, February 13, 1983. p.11
[67] West Africa Magazine, December 26,1988-January 8, 1989 p.2431

illuminates the increasingly difficult socio-economic and political conditions of the working people and the fact that the programme is permanently threatened by external factors such as commodity price shocks and insufficient aid flows. It also points to the importance of a political recovery programme through which Ghanaians are convinced of their ability to change the priorities of the government. Without such a calculated relaxation in the atmosphere, Ghana might well be headed for an "IMF riot."

A. OVERVIEW OF THE GHANAIAN ECONOMY

Ghana has a mixed economy in which a large public sector co-exists with an active private sector. Under the present economic system, the public sector has the primary responsibility for planning and financing the development of basic economic and social infrastructure such as roads, transport and communications, energy, water supply, health and education. The public sector participation in industry has also been quite significant, accounting for about 45 per cent of the total number of industrial establishments and about 60 per cent of industrial production.[68]

Economic activity in Ghana is dominated by agriculture, in which cocoa production has been the most prominent. In terms of contribution to GDP, employment creation and foreign exchange generation, the agricultural sector remains the mainstay of the economy. The shares of agriculture, industry in the broadest sense and services in Ghana's GDP generally average 55, 15, and 30 per cent respectively. [69] In spite of this dominant role and long history of agricultural production in the economy, the techniques of production have changed but little. Small scale farmers still dominate crop production. Lack of effective extension services, inadequate supply of inputs, improved varieties, and of line of credit, have constrained expansion and productivity. The introduction of large-scale mechanized production schemes has for several reasons not been successful.

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[68] Republic of Ghana, Public Investment Programme, 1986-88. (Accra,Ghana 1987)
[69]Ewusi Kodwo, "Economic Trends in Ghana in 1984-85 and Prospects for 1986," Institute of Statistical, Social and Economic Research, University of Ghana. (Accra:1986)

Ghana's expo sector is predominantly of an extractive nature. Agriculture, primarily cocoa, accounts for about 65 per cent of foreign exchange earnings. Minerals and timber products together contribute about 25 per cent of the export earnings. [70] Gold, diamond and bauxite are the principal mineral exports. Early investment in manufacturing was directed mainly into import substituting activities which relied heavily on imported raw material and machinery. Problems of capacity ut a emerged when foreign exchange resources could not sustain the input demands of thes anufacturing plants. Ghana's infrastructural base, particularly the transport and communications network, since the late 1950s and early 1960s had been relatively well developed by African standards. These have until 1970 supported economic activity, principally the evacuation of exports.

When on March 6, 1957, Ghana became the first independent sovereign nation in sub-Saharan Africa, her rich endowment of natural resources as well as skilled manpower pointed to a tremendous potential for breaking the bond of the largely mono-crop colonial economy and forging ahead into a prosperous modernity. Ghana at independence enjoyed about the highest income per capita in sub-Saharan Africa, and with cocoa exports booming had substantial foreign exchange reserves. It was the world's largest producer of cocoa - the 1964/65 crop hitting a record of 557,000 tons, more than a third of world production.[71]

But due to deteriorating terms of trade (notably the rise in the cost of oil), accompanied by misguided policies, which kept the exchange rate of the Ghanaian cedi over-valued and eroded real returns to producers of cocoa and other exports, Ghana's economy went into a long downhill slide, reaching a state of national penury by the early 1980s.

By 1981 cocoa output, for instance, was less than at independence, and only 45 per cent of the 1965 peak. Gold and diamond production, on which the country's foreign exchange resources also depended, had fallen to about a third of their peak in the mid-1960s. The 1970's decade saw a steady deterioration of the whole of Ghana's economy. Production

[70]ibid., p.65

[71]Tony Hodges, "Ghana's Strategy for Adjustment with Growth," Africa Recovery, August 1988, Vol. 2, No. 3 p. 17

of food staples such as rice and maize declined, volume fell to a third of its previous level, real per capita income fell by some 30 per cent and the country's debt in 1982 stood at US$1284 million.[72] A marked deterioration in critical infrastructure, including roads, railways, electricity and telecommunications, as well as industrial plant, attested to the visible signs of national decline.

As cocoa and other export earnings declined, the balance of payments and government finances suffered, in the latter case because of the heavy traditional reliance on cocoa export duty. Imports and investment contracted in turn, adversely affecting all sectors of the economy, including the heavily import-dependent manufacturing sector built up after independence. As transport infrastructure deteriorated and supplies of vital inputs dwindled, the export sector was further hit, creating a vicious cycle.

More fundamentally, the human infrastructure also underwent strain, with over 2 million Ghanaians leaving the country in search for better opportunities elsewhere. A shortage in manpower was thus also created with particular significance for agriculture. Indeed when note is taken of the high labour intensity of Ghanaian agriculture, it is easy to see how the emigration of working-age Ghanaians in such large numbers contributed to an equally large contraction in the acreage under cultivation of both food and cash crops and a consequent sharp decline in agricultural production.

B. RECENT ECONOMIC DEVELOPMENTS : PRE-ERP 1

From the late 1970s through to the early 1980s all sectors of the economy suffered a substantial decline in performance. This trend was most noticeable in export production and import levels. With the general decline in production and exports, the balance of payments situation worsened. The decline in agriculture was related principally to the vicissitudes of weather and shortages of imported inputs. This situation was aggravated by inadequate producer prices. Likewise, low industrial output was due to the inadequate supply of raw material inputs and inadequate maintenance practices which in turn led to frequent equipment

[72]South, Third World Quarterly, March 1987.

breakdowns and therefore very low industrial capacity utilisation.[73] Traditional and non-traditional exports met with little success, largely because of weak and inefficient institutional infrastructure.[74]

The lack of vehicle spares, other transport equipment and poor conditions of the roads led to the decline in the road transport sector. Similarly, rail transportation virtually ground to a halt for lack of maintenance and spare parts. The decline in the transport sector in turn constrained expansion of activities in the productive sectors. Non-availability of inputs and therefore poor maintenance also adversely affected the operations of the telecommunications sector. Similarly, the expenditure levels for health and education suffered severe decline which consequently affected the quality of education and health delivery, particularly in the rural areas.

In sum, the economy was characterised by a steep decline in productive activities due to inadequate incentives to domestic production and exports, heavy Government recourse to the banking system, and a soaring rate of inflation.[75] The economic infrastructure was in great disrepair, and far worse, morale of the labour force was low. The drastic decline in production and excessive printing of cash to finance government expenditure led to galloping prices through most of the decade. The economy experienced severe hyper-inflation with the national consumer price index increasing by 12,358 per cent with the index for 1977 at 100; it in effect rose from 19 in 1973 to 2,367 in 1983. [76] The administration of price controls was ineffectual since the underlying problem of shortages was not dealt with and no rationing system was instituted.

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[73]Government of Ghana, Economic Recovery Programme 1984-1986 : Review of Progress in 1984 and Goals for 1985 and 1986. Report prepared for the Second Meeting of the Consultative Group for Ghana, Paris. (Accra:November 1984)

[74]Kwesi Jonah, "The Social Impact of Ghana's Adjustment Programme 1983-1986." Paper presented to the Institute of African Alternatives, Conference on the Impact of IMF and World Bank Policies on the People of Africa. (London:September 1987)

[75] J. S. Addo, Lecture Delivered to Legon Students Economic Society at The University of Ghana, Legon. (April 24,1985)

[76] National Programme for Economic Development (NPED) Revised. (Accra:July 1, 1987)

The cumulative effect of the downward spiral was that between 1970 and 1982, per capita real income fell by 30 per cent, cocoa production fell by over half, real export earnings shrank by 52 per cent, import volumes declined by a third, inflation averaged 44 per cent a year, and domestic savings and investment declined respectively from 12 and 14 per cent of gross domestic product to almost nothing. By 1982, the cedi was trading for less than a twentieth of its official value on the black market. The human costs were appalling. Medical services and educational provision were eroded by government budget cuts, and between 1975 and 1983 the minimum real wage declined by a staggering 86 per cent, resulting in deteriorating nutritional status and rising infant mortality.[77]

By the time of the December 31st, 1981 "Revolution" disposable resources available for imports stood at US$33 million whilst outstanding short-term commitments on debts were at US$348 million.[78] Credit lines with international banks were totaliy blocked. Ghana was illiquid, virtually bankrupt. Where the economy's strength was according to President Hilla Limann himself "perilously close to bankruptcy," the state of the entire economy could be described as fragile.(The president in his inaugural address, in 1979, had described it as "abysmal.")[79]

The PNDC expressed its commitment to economic recovery from the very outset and took a number of urgent actions to arrest the disastrous course of the economy and to put it back on the right track. A crash programme was launched to evacuate cocoa locked up in the hinterland, in some instances, for three years.

The highest currency denomination was demonetised in a bid to reduce excess liquidity. A budget review was undertaken to curb fraud and waste in the public service, better expenditure control began to be instituted even over the inherited budget, as a more detailed diagnosis of the economic situation, especially its structural features, was undertaken to enable fundamental remedies to be found.

[77] Tony Hodges, "Ghana's Strategy for Adjustment with Growth," op. cit., p. 17
[78] NPED, op. cit., p. 18
[79] West Africa Magazine, January 1982

Even as these steps to redress were under way, the nadir was reached when a severe drought culminated in raging bush fires in the early part of 1983 destroying agricultural production throughout the countryside, and aggravating an already dire national situation. The expulsion of over one million Ghanaian migrants en masse from Nigeria around this period heightened tension. Acute food shortages threatened starvation, inflation soared to 123 per cent and, according to UNICEF, the infant mortality rate rose above 107 per thousand, compared with about 80 in the mid-1970s and 101 in 1980.[10]

It was against this background of economic choas and immense human suffering when Ghanaian society was almost at breaking point, that the PNDC launched the IMF/World Bank supported Economic Recovery Programme.(ERP) The ERP was planned to be implemented in two phases. It began with short term stabilisation measures, designed to tackle the immediate crisis, and then progressively moved on to deeper structural reforms. The first phase, ERP 1 (1983-1986) was the stabilisation phase, i.e. halting the decline, especially in the industrial and export commodity production sector. The second phase ERP 2 is the structural adjustment and development phase - (1987-1989) - embarking on growth and development with special emphasis on the social services.

The objectives of ERP 1 included

A.the arrest and reversal of over a decade of precipitous decline in production in all sectors of the economy, particularly agriculture including cocoa.

B. control over the factors fuelling the fires of hyperinflation (reaching 116 per cent in 1977 and 1981) through the restoration of financial discipline.

C. rationalisation of the exchange rate in order to stimulate exports and to curb the consumption of luxuries and make the scarcity of foreign exchange a factor in its official pricing.

D. improvement of the tarnished image of Ghana in international financial circles through effective external debt and foreign exchange reserve management, thus restoring confidence in the economy with overseas banking and suppliers establishments.

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[10]UNICEF, Ghana : Adjustment Policies and Programmes to Protect Children and other Vulnerable Groups, (UNICEF:Accra. 1988)

E. rehabilitation of the ruined productive and social infrastructure, and above all,

F. mobilisation of the necessary domestic and external resources to restore the living standards of Ghanaians including over a million people expelled from Nigeria, from the depths to which they had sunk as a result of disastrous economic performance, and unprecedented drought and raging bush fires.[11]

It had become clear at the time of launching the ERP that the design of appropriate incentive prices should be a key factor in reviving production apart from the need to supply adequate inputs. As a result, the policy package of economic reforms associated with the first ERP was aimed at deregulation of prices and re-alignment of relative prices in favour of the export of cocoa, timber, minerals and non-traditional exports. In addition, substantial support from foreign sources was mobilised to support these policy initiatives.

C. ASSESSMENT OF THE ECONOMIC RECOVERY PROGRAMME

Ghana, a testing ground for the tough policies advocated for Africa by Western financial institutions, is making "encouraging progress" with the recovery plan launched in 1983, the World Bank says.[12] But even the bank seems worried that the money promised by the donor countries may prove too little and too late to spare the government of Jerry Rawlings a potential explosive conflict with powerful domestic forces unhappy about the social cost of current policies.

The Bank and the Fund badly need a success story in Africa to encourage other countries which are trying to pick themselves off the floor but remain wary of the two institutions' emphasis on austerity and liberalisation. And it has been clear from the time of the first donors' consultative conference for Ghana, organised by the Bank and Fund in Paris in December 1983, that the West saw the country as a test case.[13] The Rawlings regime received generous promises of aid to support a programme which mixed orthodox financial

[11]NPED, op. cit., p. 47

[12]World Bank, Ghana : Policies and Issues of Structural Adjustment. (World Bank, Washington, D.C. : March 1987)

[13]South, Third World Magazine, March 1987.

and pricing policies with measures aimed at rehabilitating industry and boosting the supply of key goods.

Progress looks good on paper.[SEE FIGURE 1] The budget deficit was cut from 4.6 per cent of GDP in 1982 for 2.2 per cent in 1988, subsidies are being phased out, public spending is being cut and prices are being raised. Petrol prices, for example, have risen tenfold since early 1983. However, the cedi has been cut sharply - from 2.75 to the dollar in April 1983 to 235 at present. Since Ghana's IMF/World Bank-supported programme then, the cedi's foreign purchasing power has fallen by about 8,545 per cent. Its collapse can be compared to that of the German mark after the first World War or Bolivia, Argentina, and Nicaragua in the 1980s.

The devaluation is meant to discourage smuggling and hoarding and so boost exports. It has also enabled the authorities to raise local producer prices of cocoa, as part of a wider programme to revive an industry which accounts for more than 60 per cent of foreign exchange earnings. For this, the IMF and the World Bank gave Ghana a certificate of respectability at the 1987 Paris Donors Conference that has won much foreign aid for the country. As soon as Ghana launched its so-called recovery programme, the IMF began providing funds : US$ 259 million (net) in 1983, US$ 214 million in 1984 and US$ 120 million in 1985. Ghana's debt rose from US$ 1284 million in 1982 to US$ 1708.2 million in 1985.[14] (NB : IMF share US$ 525.1 million)

In 1986, however, repayments to the IMF began falling due. From US$19 million in 1986, they were set to rise to US$ 137 million in 1987 and US$ 207 million in 1988. When IMF payments are added to debt and interest charges - estimated at US$ 152 million in 1986, 173 million in 1987 and US$ 190 million in 1988, the debt service ratio begins to look formidable. Debt service was 9.1 per cent in 1982 (i.e. before the ERP was launched), 54.1 per cent of exports in 1985, 62.6 per cent in 1986 and 75 per cent in 1988.[15] Aid cannot immediately offset the short-falls with such a high debt service ratio.

[14]Government of Ghana, The PNDC Budget Statement and Economic Policy for 1986. (Accra : February, 1986)

[15]Government of Ghana, The PNDC Budget Statement and Economic Policy for 1989. (Accra : January, 1989)

Table 3 Ghana : Economic Indicators

	1983	1984	1985	1986	1987
GDP at Current market prices (bn cedis)	184.0	270.6	373.1	511.2	700.1
Real GDP growth (%)	0.7	6.8	5.1	5.3	4.0
Overall Government Deficit /GDP (%)	-2.7	-1.8	-2.0	0.1	0.4
Inflation (%)	122.8	39.7	10.4	24.6	39.0
Exports ($mn)	441	567	633	749	787
of which: cocoa($mn)	279	382	412	503	465
gold($mn)	102	103	91	106	140
timber($mn)	15	21	28	44	90
Imports ($mn)	500	616	671	733	764
External current account($mn)	-174.1	-75.3,	-156.6	-84.5	-97.7
External public debt($bn)	1.50	1.79	2.13,	2.66	2.84
Debt service ratio(%)	26.0	36.2	54.1	47.8,	62.6
Agricultural production (1979-1981=100)	88	105	123	123	123
Food Production (1979-1981-100)	89	131	122	131	133
Food production per capita(1979-1981=100)	81	115	104	107	105
Cocoa production('000 tons)	158	175	219	218,	185
Gold production('000 oz)	277	287	300	287,	328
Mineral production(1977=100)	50.2	57.9	65.3,	60.3	...
Exchange Rate(cedis per $)	3.4	35.3	54.1,	89.3	147.1

SOURCE : GOVERNMENT OF GHANA, WORLD BANK, FAO, GHANA CHAMBER OF MINES, AND GHANA COCOA BOARD.

The current account remains a big worry, having yielded deficits of US$ 356 million in 1983, and US$ 305 in 1984. The figure for 1985 was US$ 380 million, US$ 425 million in 1986 and it rose to about US$ 470 million in 1987. Against this the government claims the national economy experienced a commendable rate of growth. GDP in real terms increased by 5.3 per cent since 1985,[16] (the projection for 1989 is 5.5 per cent) and per capita real income grew by 2.6 per cent. The growth was almost evenly spread over the main sectors. Agricultural output increased by 4.6 per cent while services expanded by 5.4 per cent. However, the growth of 6.4 per cent in industry was somewhat slower than expected. Inflation dipped from 122.8 per cent in 1983 to 25 per cent in 1988 and is projected in 1989 by the Government's budget estimates for 15 per cent.

It is expected that the upward trend in the volume of exports will be maintained in 1989. In particular, exports of cocoa beans and products are likely to rise from 218,000 tons in 1986 to 250,000 tons in 1989. However, due to the sharp fall in the world price of cocoa, the value of these exports is expected to fall. In presenting the 1989 budget, Dr. Kwesi Botchwey, Secretary for Finance and Economic Planning, said Ghana lost $100 million in 1988 because of falling cocoa prices. He expects a loss of $180 million in 1989,[17] yet, the government, with World Bank funding, still seems bent on trying to raise cocoa output to 300,000 tons by 1991. Total export revenue for 1989 will rise less than originally projected, and over 60 per cent of it will go straight into debt repayment. Foreign debt, said Botchwey at a press conference in Accra on January 14, 1989 to present the 1989 budget, continued to be a major constraint to development. "We are still an underdeveloped country enduring

[16]ibid., p. 9
[17]ibid., p. 13

widespread hardship...It is only through increases in productivity that we can lessen the pain of our development experience."[18] Thus the trade balance is likely to worsen for Ghana due to decline in its terms of trade.

These developments have led critics to argue that the main thrust of the governments' economic policies was much less the promotion of an independent self regulating and healthy national economy than strengthening the peripheral position of the economy in the international division of labour in which imperialism dominated.[19]

Whilst the government appears impressed with the so-called gains so far made, others are less impressed by the government's success. Many of the privations of the recent past - petrol queues, shortages of such basics as milk, sugar, toothpaste and canned food - have disappeared. But where in the past people had money but nothing to buy, today they lack money to buy the goods in the shops. For as part of the usual Fund/Bank prescription for deflating the economy as noted earlier on, a massive programme of destatisation of the economy was initiated. During the period, public sector claims on resources have been cut down and the centre of gravity (in the economy) has shifted to the private sector. Accordingly, several state enterprises have been earmarked for sale to the private sector, both Ghanaian and expatriate. Government expenditures have been reduced by about half from the pre-1983 level and development expenditure dropped. The immediate effects of these policies on wage and salary earners has been the massive retrenchment (which the government prefers to call redeployment), and rising cost of living that has followed, and the drastic cut of public sector demand for labour market. The cumulative effect of these measures and the continuing devaluation on workers has not been beneficial : their purchasing power has been considerably devalued.

Wage increases have systematically been made in favour of the better paid. In 1982, a year before the programme began, the difference between the lowest and highest paid in the civil service was 1.1 : 8, today it is around 1: 6. There is also in progress a massive

[18]Dr. Kwesi Botchwey, Presenting the 1989 Budget in Accra on January 14, 1989. Quoted in West Africa Magazine. January 23-29 1989.

[19]Ninsin Kwame, The Neo-Colony in Crisis. Paper Presented at Seminar, Department of Political Science, University of Ghana. (Legon-Accra : Ghana, 1987)

retrenchment of the civil service over a three - year period, involving some 45,000 people.

Wages of those in employment, have under the circumstances increased and figures show that while in 1985 real wages were 50 per cent of the 1975 level, in 1987 they were between 60 and 70 per cent of that level.[90] This does not, however, take into account the increased burden placed on these wages from the greater incidence of payments for health and education recently introduced. The process of removal of government subsidies resulted in a number of industries leaving their workers unpaid for several months at a time. So far as rural incomes go, some producers, particularly cocoa farmers have experienced significant improvements. The price of cocoa per ton, which was 12,000 cedis in 1982, has been raised in successive years and now stands at 140,000 cedis. As Jonah points out, however, this represents only 27 per cent of the world market price for cocoa at the present time.[91]

D. THE HUMAN COSTS OF THE ECONOMIC RECOVERY PROGRAMME

While almost all Ghanaians have been adversely affected by the ERP measures, some groups are especially affected. These groups can be identified as low-income households in the urban centres and small rural farmers.(within the households of these severely affected categories, women and children have been especially vulnerable) Perhaps the households which have been hardest hit by the ERP are the urban poor. This is hard to prove quantitatively because of the aggregation of available data. However, it is supported by data on food prices and the consumer price index (SEE TABLES 4 AND 5) as well as casual observation of the urban situation. About 65 per cent of heads of households earned less than the average annual wage and salary income and almost all households require two or more incomes to survive."In reality, low-income earning families of five in the Nima/Maamobi area of Accra appear to have been spending the equivalent of over 8 times the minimum wage. From where does the additional income come, and how do people manage to survive while still spending only

[90]Kwesi Jonah, "The Social Impact of Ghana's Adjustment Programme 1983-1986." op. cit., p. 17
[91]ibid., p. 26

one-fifth the minimum, socially acceptable budget?"[92] Illicit means of raising money such as theft, corruption, black marketing and prostitution have become common as a result.

Table 4 : Ghana-Prices, 1975-1985 (977=100)

Year	National	Rural	Urban	Food Prices	Inflation
1975	30	29	31		29.8
1976	46	46	47		56.1
1977	100	100	100	100	116.5
1978	173	175	172	159	73.7
1979	267	279	257	258	53.9
1980	401	448	363	393	50.1
1981	869	939	800	829	116.5
1982	1,062	1,150	978	1,125	22.3
1983	2,367	2,640	2,193	2,755	122.8
1984	3,304	3,652	2,960	3,059	39.4
1985	3,647	3,974	3,329	2,717	10.4

SOURCE: GOVERNMENT STATISTICS

[92]John Loxley, Ghana : Economic Crisis and the Long Road to Recovery.(The North-South Institute, Ottawa, Canada, February, 1988)

Table 5 GHANA : CONSUMER PRICE INDEX (1977=100)

	March 1983	Sept 1986	Weighted share (%)
Combined Index	1,743.8	4,517.8	100
food	2,190.0	3,168.9	49.2
Beverages &tobacco	1,376.6	6,450.7	6.2
Rent,fuel & power	927.0	5,053.9	6.8
Clothing & Footwear	1,495.0	5,654.3	19.2
Medicare & Health	1,474.6	4,767.6	1.8
Transport & Communications	803.1	6,545.2	4.3
Recreation & Entertainment	1,103	5,407.8	5.5
Misc. Goods & Services	1,565.5	5,965.5	1.9

SOURCE : CENTRAL BUREAU OF STATISTICS, ACCRA

There is evidence of increasing intensity of child labour which illustrates the interconnection between deepening poverty and reduced access to basic services.[93] Child labour - in the sense of domestic household chores, and agricultural work, especially at seasonal peaks - is traditional in Ghana. When moderate in amount it need not be inconsistent with child welfare nor - given suitable phasing of school vacations to coincide with regional peak labour requirements in agriculture - with benefitting from primary school. But as households have become poorer, child labour has become more crucial to making ends meet and has, therefore, been intensified. It has contributed to the high drop out rates - especially among girls - as well as to irregular attendance and children too tired to benefit from classes. "Further, child labour in the informal urban sector is most apparent in hawking - and a

[93]UNICEF, Ghana : Adjustment Policies and Programmes to Protect Children and other Vulnerable Groups, op. cit., p. 18

modern (and much worse) form of 'child pawning' into domestic service to reduce the living costs of poor households - has reached levels which are markedly above those which existed 20 or even 10 years ago." [94] These child labourers - virtually without exception - will never attend school.

The housing problem is mounting everyday, rents are getting higher and higher as no serious approach to solving the acute housing problem is in sight. Medical services and facilities are too expensive for most of the people. Even though the government continues to create the impression that she cannot provide free health care for the people, the negligence of the human factor has a social cost much higher than the monetary consideration the PNDC's policy seems to aim at satisfying.

Apart from the inability of the PNDC to meet the aspirations of the vast majority of the people, it has by its policies created social tension in many homes as so many people cannot make ends meet. Workers have become more active in their struggle against the government's anti-labour policies. For despite the increases in the minimum wage to mitigate the effects of devaluation, there is a continuous rise in the cost of living and real incomes continue to deteriorate. Under this pressure of pauperisation, workers have stepped up their agitation against the government. Thus, for example, the incidence of strikes rose and sharply assumed a violent character. The confidence and stability of the regime has been visibly shaken, and it has attempted to cope with the situation through increased political repression of its opponents. The most eloquent testimony to the regime's sense of insecurity has been the arrest of people who have been vocal in their opposition to the ERP measures. Amnesty International reports that several people were arrested and detained in 1987 without trial. These people belong to groups that have become increasingly critical of what they see as a betrayal of the political and economic ideals of the new government.[95]

Dissatisfaction with the government is now spreading even among its supporters. Prominent members of organisations from which the government has drawn its cadres since it

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[94] ibid., p. 18

[95] Amnesty International, Ghana : Recent Detentions, AI Index AFR 28/12/87, (AI: London, 7 August 1987).

assumed power at the end of 1981, have been critical of the government's "neo-colonial" policies. Perhaps the most prophetic affirmation of this anti-climax for a regime which had began from a position of strength, was that dangerous challenge to its legitimacy and moral strength posed by its faithful servants, the students and organised labour. Whereas in the preceding years the Trades Union Congress (TUC) leadership had supported the government and rebuked the National Union of Ghana Students (NUGS) in 1983 for calling on the government to hand over power, thenceforth its public utterances and other activities appeared to encourage worker militancy. And ultimately, the TUC liaised with the NUGS and other progressive organisations to oppose the government's economic policies. These groups agree that Ghana must deal with foreign creditors, but they argue that foreign capital cannot be the main vehicle for the country's economic development. With more than half its foreign exchange earnings being spent on debt and interest payments, the country's essential needs and recovery are taking second place. The charge is frequently made that the ruling government has submitted national economic policies to the dictates of the IMF and the World Bank.

In spite of all this, the IMF and the Bank say the government must press on. The economy is still held back by unsound policies in some areas, and by the consequences of years of low growth, inadequate investment, neglect and a foreign exchange shortage that has restricted necessary imports, the IMF says. Further devaluations, the removal of more price controls and the continuing rehabilitation of industry remain the solution. The government seems to agree, and the Fund and Bank appear confident that it intends to persist with the programme. (At the 1987 Paris Consultative Group Meeting, Ghana was able to secure US$818 million worth of concessional funding though about US$575 million had been expected) However, critics of the government are unlikely to be placated until devaluation kills off the black market, and goods become sufficiently plentiful on the open market to reduce prices to the level within reach of the ordinary Ghanaian. Exports have to be boosted (and terms of trade need to be favourable) and local industry revived - which will require more foreign exchange to pay for imported raw materials and spares. At present, shortages of such inputs mean that some industries can operate at only a low capacity.

Insofar as there has been a successful Fund/Bank programme in Ghana it is to the extent that the growth of GDP has been clearly positive over the last five years. Not to be overlooked, however, is that during the period of the programme, Ghana has almost cleared its backlog of debt payments which stood at US$660 million in 1983. During that year alone, US$220 million was paid and subsequent payments left only US$171 million outstanding in 1986. By adopting Fund/Bank-based formulae for Third World development, Ghana - in macro-economic terms at least - seems to be on the road to recovery.

But difficult problems still lie ahead, not least of which is the rock-bottom price of cocoa, on which Ghana depends for about two thirds of its export earnings. "The current decline in cocoa prices is depriving Ghana of significant resources that structural adjustment efforts had anticipated when they were being embarked upon," says Tstatsu Tsikata, a member of the National Economic Commission. "Without an automatic compensatory financing device, the volatility of commodity prices poses a severe danger to reform programmes of the kind Ghana is undertaking, for just as the programmes get under way, adverse terms of trade wipe off the value of increased production."

There are other challenges too, especially the concern about the adverse social side-effects of the ERP. In the national effort to reform and restructure the economy, social-sector concerns have taken second place to the imperatives of increased production and export earning, with the result that too little progress has been made in ameliorating the chronic condition of the health and education services, as the government itself readily acknowledges. Many of the poor, especially in the urban areas, have not yet reaped the benefits of the economic upturn and have borne the brunt of some of the adjustment measures, such as the removal of government subsidies, the inflationary consequences of devaluation, the introduction of fees for medical services, and sweeping job losses in the public sector.

While structural adjustment is planned to bring macro-economic benefits in the medium and long term, traditionally its designers have shown less concern for the immediate effects of rapid change on the most vulnerable members of society. Those least able to adjust to adjustment in Ghana include three groups :

a. Rural households - a high proportion of the total where low productivity leads to hunger and hardship,

b. low income and unemployed urban dwellers severely affected by large increases in the price of essential commodities,

c. retrenched private sector workers, civil servants and state sector employees.

The government is making a concerted effort to relieve some of the social costs of adjustment and has become the first in Africa to adopt a special plan to address the social dimensions of adjustment. Drafted in 1987, Ghana's Programme of Action to Mitigate the Social Costs of Adjustment, or PAMSCAD in short, looks like becoming a pacesetter for governments elsewhere in the continent that have often allowed social problems to slip from view while tackling what appear to be daunting economic difficulties.

Based on the premise that structural adjustment has had detrimental effects on employment patterns, raised consumer prices and diminished standards of social services, PAMSCAD's 23 "socially-conscious" programmes concentrate on three main areas of activity : employment generation, community initiative projects and the satisfaction of primary needs. The hope is it will cushion the fall from material grace of workers "redeployed" in the shake-out of the public sector (some 15,000 people each year from 1987 through to 1989) by providing job opportunities, reducing the level of income loss (the effects of the ERP) of some rural and urban households, improve the basic needs and general health conditions of particularly vulnerable groups in the north of the country, and stimulate community initiatives in the area of improving the stock of social and economic infrastructure.

Table 6-Proposed Program to Mitigate the Social Costs of Adjustment (PAMSCAD)

TYPE OF PROGRAM	ESTIMATED COST ($ million)
Employment:Redeployment	0.84
Information Strategy for Redeployment	0.09
Counselling and Placement Services	0.20
Training Scheme	0.55
Employment:Public Works	32.90
Priority Public Works Projects	11.80
Labour Intensive Feeder Roads Projects	15.10
Rural Public Works in the North	6.00
Health	20.00
Essential Drugs	20.00
Food and Nutrition	4.00
Supplementary Feeding and Nutrition Education	4.00
Social Sector Planning	0.75
Ghana Living Standards and Related Studies	0.75
Education	8.60+
Rehabilitation of Secondary Schools	0.60
Repairing First-Cycle School Roofs	0.80
Use of Radio for Education	0.40
Improving and Expanding First-Cycle Education	?
Deworming of Primary School Children,	
Hygiene Education	0.60
Upgrading of Ghanaian Language Printing	0.50
Mass Functional Library and	
Community Initiative Project	4.00
Functional Literacy for Out-of	

School Children (esp. girls)	?
Initial Food Stocks to	
Finance Revolving Fund for Food	1.70
Second-Cycle Boarding Schools	?
Income-Generating Activities	
for University Students	?

SOURCE: WORLD BANK, 1987c, pp.91-96

E. CONCLUSION

The ERP has , it seems, chalked up some successes since its launching. The various economic growth statistics have recorded significant progress. It is sad to state, however, that these increases have not yet reflected positively on the living standards of the working people. The evidence suggests that health care and education remain on declining trends. The water supply situation has not changed materially. The nutritional situation remains precariously balanced. Real incomes of low-income households are still quite inadequate to meet adequate dietary needs.[96] While this in no way refutes the reality or magnitude of what has been achieved, it does point to the urgent need for additional actions if the policy changes and economic progress secured over 1983-1986 are to be sustained and built upon.

Apart from the purely economistic objectives of the program, it might be incisive, as John Loxley argues, to add others which are deemed to be extremely important to ordinary Ghanaians :

[96] UNICEF, Ghana : Adjustment Policies and Programmes to Protect Children and other Vulnerable Groups, (UNICEF:Accra, 1988). Also Richard Jolly and Rolph van der Hoeven, Protecting the Poor and Vulnerable During Adjustment : The Case of Ghana, (UNICEF:June 1989)

-increasing employment

-achieving rough equity in the distribution of costs and benefits of adjustment to the maximum degree consistent with the shifting of production incentives

-conserving the quality of the environment for future generations, and

-increasing participation of ordinary Ghanaians in the taking of decisions affecting their livelihood.[97]

[97] John Loxley, Ghana : Economic Crisis and the Long Road to Recovery. (The North-South Institute, Ottawa, Canada, February, 1988) p. 21

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IV. CHAPTER FOUR - THE POLITICAL ECONOMY OF RESTRUCTURING IN ZAMBIA

Zambia's predicament is specific with regard to its dependence on copper, but far from unique among Third World or African countries in many respects. The purpose of this section is to analyse the situation in Zambia as it is and as it has evolved under the influence of international (IMF/World Bank development strategies and other exogenous constraints) and national factors.

A. THE STRUCTURE OF THE ECONOMY

Zambia's plight can only be fully understood if put in historical perspective. From British colonial times, the main feature of Zambia's political economy has been the gearing of its economy to copper production for export to Northern countries. It must be said that when Rhodes' British South Africa Company secured a Royal Charter over Zambia in 1891, its main aim was to exploit the territory's mineral endowment. By the time of independence in 1964, the structure of its economy was one of excessive or overwhelming dependence on a single (mono-economy), volatile and, in recent years generally depressed commodity market.

Government policy since 1964 has not questioned the predominance of copper in the national economy. Rather it has sought to expand the mining industry in order to accumulate surpluses to develop other sectors of the economy. As a result, Zambia's dependence on copper was further consolidated, as was its integration into the world market with its attendant uncertainties. As Peter Meyns argues, the critical situation of its economy as a whole at the beginning of the 1980s is a reflection of changes on the world market but also of government policy; neither of these two factors should be neglected. [91]

The contribution of Zambia's copper industry to national development has been a highly unreliable factor. The ups and downs of export earnings from copper and cobalt, in the 1970s, and the reduction of government revenue from the copper industry to zero after 1976

[91] Peter Meyns, "The Economy-A Neo-Colony? The Political Economy of Zambia," in Klaas Woldring and Chibwe Chibaye (ed), Beyond Political Independence, Zambia's Development Predicament in the 1980s, (Mouton Publishers: Berlin, New York, Amsterdam, 1984) pp.7-21

are the most drastic indicators. The prices paid for copper wire bars increased steadily from K395 per ton in 1964 to K1,010 in 1970. This allowed Zambia to more than double its export earnings. However, the price stagnated throughout the 1970s and reached a low of K765 in 1971/72 and again in 1975, when it dropped from K1,326 in 1974 to K794 per ton. As a result of this adverse price situation, the copper mining companies throttled their investments, and the peak of 805,000 tons of copper exported in 1969 has not been reached again ever since.[99]

What is more, in spite of the recognition that Zambia's externally related economic difficulties made reliance on copper as the nation's economic mainstay questionable, no long-term strategy of self-reliance, especially in agriculture, was pursued or at least outlined. There are huge, under-utilised tracts of potential farmland, so agriculture seems to be the sector with the best hope of filling the void left by falling copper earnings. Agriculture's share of gross domestic product was only 11.7 per cent in 1987 and would have to more than double to make up for the eventual demise of mining which contributes 15.3 per cent to the GDP. Paradoxically, agriculture has been accorded little importance since colonial times. Even though the Minister of Finance, Mr. J.M. Mwanakatwe proposed efforts, in his 1977 budget, [100] directed toward general economic diversification and development of Zambia's extraordinary agricultural capacities, no drive at increased agricultural production was initiated and it was only in rare years e.g., 1988 that food self-sufficiency has been achieved.

Worse still, Zambia's commercially exploitable copper deposits are expected to run out in 15 to 20 years' time. So the country faces the daunting long term challenge of developing new sources of foreign exchange to replace copper earnings, while reducing its traditional heavy dependence on imports. [101] Making matters even more difficult is the shadow of South Africa, whose destabilisation policies threaten the whole region and in particular Zambia's transport links with external markets.

[99]D. Mezger, Copper in the World Economy. (London/New York, 1980)
[100] Zambian Daily Mail : Budget Special, Lusaka, January 29, 1977, p. 4
[101]Tony Hodges, "Zambia's Autonomous Adjustment", Africa Recovery, December 1988, Vol. 2 No. 4.

B. ZAMBIA'S ECONOMIC DOWNTURN

As Zambia entered the 1970s, its real per capita growth rate had averaged 8 per cent annually during the previous half decade. The growth was led by expanding copper exports. Export volumes were growing, and prices on the London Metal Exchange (LME) were volatile, while their general trend was upward. Export earnings and public revenues grew rapidly as government succeeded in pushing gross capital formation to 30 per cent of GDP as its tax effort rose to an impressive 32 per cent of GDP, and nearly 60 per cent of the revenue came from mining companies.[102] The first years of independence in Zambia were thus years of unprecedented economic growth bolstered by an external factor : the increase of the world market price for copper by over 250 per cent between 1965 and 1970, which allowed Zambia to increase export earnings by a similar margin.

With the national coffers well stuffed, Zambia embarked upon an industrialisation strategy of an import substitution nature to reduce the amount of consumer goods and, to a lesser extent, industrial inputs it was importing, as well as to reduce the transport costs related to such imports. High growth rates averaging above 10 per cent per annun were achieved in manufacturing industry between 1966 and 1974 as private enterprises sought to establish themselves on the Zambian market, and government initiated industrial projects in cooperation with foreign capital. As a result, the contribution of manufacturing to GDP doubled from 6.7 per cent in 1965 to 13 per cent in 1974. Such cooperation with international capital and advisers as well as the principal focus on satisfying the demands of the urban elite led to the production techniques adopted in manufacturing industry being generally "capital-intensive, and reliant on imports of parts and materials."[103] However, up to 1970 Zambia's foreign exchange reserves were increasing steadily; in this phase of its development there was no foreign exchange problem.

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[102] For discussion of company acquisitions and changes in the tax revenue system, see Mark Bostock and Charles Harvey, Economic Independence and Zambian Copper. (London/New York, 1972; and Anthony Martin, Minding Their Own Business : Zambia's Struggle Against Western Control. (London, 1973)

[103] A. Seidman, "The Distorted Growth of Import Substitution : The Zambian Case", in Journal of African Marxists, 12, 4 (1974)

However, Zambia's "good years" were limited by a number of factors. Some were beyond the country's control but one was a matter of conscious policy. This had to do with a 1971 change in tax and ownership policy in the mining sector. Prior to 1971, a three-fold levy was placed on companies : a minerals tax was placed on what was mined; an export tax on what was sold abroad; and a profits tax on what was earned.[104] The effect was to place taxes directly on extracting and exporting the country's wealth. As a result, more than half of the country's public revenues (54 per cent) originated in the mining sector. But the mining companies contended that the three-fold levy discouraged investment because it was not directly related to company profitability. They convinced the government that a profits-only tax would act as an incentive to encourage more investment in the copper sector and this would lead to an increase in output thereby adding to government revenues and foreign exchange holdings.[105]

The reasoning behind the claim was that while the tax rate would be lower under the profits-only formula, the tax base would be proportionally higher e.g., public revenues would go up because incremental investment would lead to additional output, more output would result in more sales abroad, more sales would lead to the additional revenue to the mining companies, and the added revenue would mean added profits and a higher tax base. The policy put Zambia in a risk-taking position. The change meant that government accepted the risk that prices would move unfavourably in world markets. Zambia compounded this type of risk-taking by purchasing 51 per cent of the shares in the country's two largest mining companies. The Bank of Zambia's annual reports for 1973 and 1974 rightly points out that the 1971 change in tax policy and nationalisation could not have been more poorly timed because a number of events soon turned against the country. [106]

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[104]These points were first outlined in a speech by President Kenneth Kaunda, "Towards Complete Independence," delivered at Metero, August 11, 1969. (Zambian Information Service : Lusaka, 1969) p. 35

[105] Bank of Zambia, Report for 1973 (Lusaka,1974), chs. 1-4; and Ministry of Finance and Planning, Economic Report for 1973 (Lusaka,1974), chs. 1-3.

[106]Bank of Zambia, Annual Reports for 1973 and 1974 (Lusaka,1974 and 1975), chs. 1-4.

The turning point in Zambia's post-colonial fortunes came in 1973-75 and since 1975 the economy has been in a state of persistent crisis. Three factors heralded the beginning of this phase - the quadrupling of oil prices, the beginning of the long slump in copper prices and the country's landlocked geographical situation and the political turmoil in Southern Africa plunged Zambia into a crisis from which it has never recovered. The commodity terms of trade fell more than 77 per cent between 1973 and 1984. Meanwhile inadequate investment (itself partly a consequence of the foreign exchange squeeze) and rising production costs (due to declining yields and ore quality) resulted in the volume of copper exports declining by more than a third between 1972 and 1986.

Together, these adverse trends resulted in Zambia's total merchandise exports declining by half between their 1974 peak ($1,396 million) and 1986 ($689 million), a fall which was of course even steeper in real terms.[107] One repercussion was an acute contraction in imports in a country with minimal capacity to substitute locally produced goods due to the weakness of domestic production linkages. As Roger Young observes, the "immense and pervasive shortage of foreign exchange resulted in imports falling in real terms by 30 per cent between 1975 and 1980 and then by an astounding two-thirds in 1981-1985." [108] The Zambian economy was consequently beset by shortages, resulting in supply bottlenecks and low capacity utilisation in domestic industries, negative real per capita growth, high inflation and the spread of black markets.

One other consequence of the slump in copper prices was the conversion of the copper mining industry from a mainstay of the Government budget (providing up to half of government income until 1971) into a loss-making burden, requiring large subsidies to stay afloat. In addition, while raising real prices for food producers, in an attempt to encourage higher agricultural production (a bid largely vitiated by the inefficiency of the marketing system), the government tried to shield urban consumers from the rising cost of living by subsidising retail prices for basic foodstuffs, especially the staple maize meal, and this placed

[107]Jalakis, Rudolf, "Foreign Exchange Zambia", SIDA Evaluation Report 1987/2, SIDA Stockholm : 1987.
[108]Roger Young, Zambia :-Adjusting to Poverty. (North-South Institute, Ottawa, Canada, February, 1988)

even further stress on government finances, contributing to the growth in money supply and thus to inflationary pressures. Deprived of copper receipts, the government resorted to deficit financing - paid for by printing money - in a desperate attempt to maintain consumption and investment levels. And, as debt servicing obligations built up, the budget deficit came under even further strain.[109] By the end of 1970s, Zambia's economy was showing all the classic signs of deterioration and destabilisation. There was increasing resort to IMF stabilisation financing throughout the latter 1970s and early 1980s. There was an increasing imbalance in the external account - the trade balance deteriorated from a positive level of $96 million in 1976 to a negative value of $436 million in 1981, a swing of over $500 million within just five years. In parallel, the current account balance also deteriorated between 1976 and 1981 by a sum of $573 million.[110]

C. THE IMF/WORLD BANK IN ZAMBIA - AN APPRAISAL

Until its President announced a new economic programme, Zambia had been a Fund/Bank client for longer than almost any other country in the world, with a first stand-by credit negotiated in 1973 and then successive Fund facilities for eleven years from 1976. Like most African and Third World countries, the government was accused by the IMF/World Bank of neglecting its agriculture, overvaluing its currency's exchange rate and not having a tight enough fiscal policy. But as pointed out earlier, there were also external factors that were beyond Zambia's control, such as recurrent drought, disruption to the country's infrastructure as a result of the political instability in the region, incursion into the country by South Africa, and of course, the collapse of the prices of copper on which Zambia depends for 90 per cent of its export earnings and 50 per cent of GDP.

Short term measures were taken under the first IMF programmes, on the assumption that the downturn in copper prices was only temporarily. More drastic measures, involving a strong dose of economic liberalisation (the bitter pill of the reform programme), began in

[109] Ndulo, M. and M. Sakala, "Stabilisation Policies in Zambia 1976-85," ILO World Employment Program Working Paper 13, Geneva : 1987.
[110] Roger Young, Zambia :- Adjusting to Poverty, op. cit., p. 27.

1983 and accelerated in October, 1985 with the introduction of a foreign exchange auction system designed to allow market forces to determine the exchange rate and the allocation of foreign exchange. A moratorium was imposed on debt servicing and the first agreements for rescheduling were signed. The conditions were standard IMF ones : price decontrol, subsidy reductions, increased producer prices for farmers, relaxation of interest rates and currency devaluation. The latest reform program 1985-86, for instance, included the following policy changes and initiatives :

1. An effective real devaluation to be maintained through the implementation of a foreign exchange auctioning system,

2. An effective real devaluation to encourage "non-traditional exports" in the agricultural and manufacturing sectors as the exchange rate fell, and to boost foregn exchange earnings. As well as diversifing away from copper, devaluation was to enhance the kwacha earnings of the Zambian Consolidated Copper Mines Limited (ZCCM),

3. The removal of public sector-financed consumer subsidies, particularly for processed maize meal, which accounted for 15 per cent of total government expenditure prior to the reform,

4. Further public sector expenditure restraint through enhanced controls on recurrent costs consisting primarily of a wage freeze for civil servants, and reforms to revenue collection to enhance public sector income. (The ultimate objective was to move toward domestic fiscal balance),

5. New incentives offered to attract foreign and domestic private investment, especially for export,

6. Decontrolled parastatal pricing initiated to permit these enterprises reduce their own fiscal deficits and their charge on the Central Bank, and,

7. Complementing the foreign exchange auction system, a decontrolling of interest rates by the government through an auctioning of Treasury Bill notes as the principal instrument for controlling changes in the money supply. Previously the government had relied

on its overdraft facility with the Bank of Zambia to finance its expenditures.[111]

As the economy deteriorated further, Zambia had to agree to tougher conditions from its creditors. Trade and prices were generally liberalised, interest rates were decontrolled and marketing of maize (the country's staple food) was privatised. Creditors were delighted and Zambia successfully negotiated a two-year standby agreement of SDR 230 million with the IMF and a further SDR 70 million under the Fund's compensatory financing facility in 1985. The most striking development was the rapid devaluation of the kwacha. Its value fell by 55 per cent in the first auction, to K5 to the dollar. By the end of April 1987 the rate had reached K21 to the dollar, less than 11 per cent of its value before the auction system began.

However, since those agreements, President Kaunda's government has faced the toughest period in its 25 years of existence. Real income per capita dropped by 40 per cent and scarce foreign exchange led to scarce commodities as Zambians would go for months without supplies of washing powder, cooking oil or milk. The current account deficit widened by 48 per cent in 1986. The growth of money supply speeded up from 23 per cent in 1985 to 93 per cent in 1986, fuelling the inflationary process. Consumer price inflation, as measured by the low income index for Lusaka, rose from 20 per cent in 1984 to 37.4 per cent in 1985 and 51.6 per cent in 1986.[112]

Zambia was actually in the grips of stagflation. The production bottlenecks in the economy, due in large measure to the prolonged shortage of foreign exchange and the need for extensive rehabilitation, were still holding back growth. Thus, though the country did return to positive real growth in 1985 and 1986, this was so modest (1.6 per cent and 0.6 per cent respectively compared to population growth of around 3.5 per cent) that per capita GDP continued to decline. "Per capita GDP fell in real terms by an annual average of 2.7 per cent during the 1970s and by over 3 per cent a year in the 1980s. Between 1977 and 1987, real per capita income fell by a full 26 per cent. Meanwhile the rate of fixed investment fell from 18.2

[111] World Bank, "Zambia : Country Economic Memorandum on Economic Reform and Development Prospects." (Washington, DC, November, 1986a)
[112] IMF, IMF Survey, Supplement, (IMF: Washington, DC, June 1988)

per cent in 1980 to 10.7 per cent in 1987."[113]

Large scale borrowing, largely on commercial terms, and later accumulation of huge arrears on external payments landed Zambia with a crushing external debt, which by the end of 1987 totalled $6.51 billion according to the IMF.[114] This was equivalent to no less than 915.5 per cent of the country's exports, the fifth worst debt/exports ratio in sub-Saharan Africa - after Mozambique, Sudan, Guinea-Bissau and Somalia. A comparison with Brazil, the world's biggest debtor in absolute terms, is instructive : Brazil's debt/exports ratio (437.5 per cent in 1986) is less than half Zambia's. In fact, Zambia, by virtue of its long history of borrowing from the IMF, dating back to 1972, has more debt outstanding owed to the Fund than any other country in sub-Saharan Africa - a total of $957 million as of the end of 1987. If it was meeting all its debt service obligations, these would devour well over half the foreign exchange earned from exports of goods and services.

Interlinked with all these has been the decline in capital inflows. The virtual collapse in loan disbursements by creditors (from $284 million in 1980 to a mere $31 million in 1986) is not surprising, given Zambia's low credit rating. But, even during the IMF-backed adjustment programmes, official loan disbursements ($202 million in 1986) were much lower (at current prices, let alone in real terms) than they had been at the start of the decade ($346.5 million in 1980), though there was a considerable increase in grants (to $292 million in 1986).

D. THE HUMAN COSTS OF RESTRUCTURING

A paper by Dorothy Mutemba shows that significant changes have been taking place in the diet of Zambians, in response to the evolving economic situation.[115] These changes have translated themselves into increased incidence of malnutrition, anaemia, malaria and

[113]ibid., p. 12
[114] Roger Young, "Zambia : Adjusting to Poverty," op. cit., p.35
[115]Dorothy Mutemba, "The Impact of IMF/World Bank Programmes on the People of Africa with special reference to Zambia and especially Women and Children." Conference on the Impact of IMF and World Bank Policies on the People of Africa. City University, London:September 1987.

diarrhoea. These findings, the result of a survey of households in Lusaka, are supported by another study carried out by the government in conjunction with UNICEF. The crisis seems to be affecting women in ways which are crucial, given their often key role in buying, preparing, and in some cases providing the means to buy food in the house. In female-headed households which in many instances are headed by women who are not formally employed, there is less recourse to alternative sources of income. The society is not polyandrous; she cannot get a salary advance from a non-existent place of employment, and may be restricted in the possibilities open for borrowing in general. All this translates into consequences for the food she and her family eats or does not eat.

Most Zambians, especially the 48 per cent living in the urban areas, have suffered a steep decline in living standards since the IMF/World Bank programmes were implemented. They have seen shrinking real wages, growing unemployment in the cities, periodic shortages of basic commodities like maize meal, cooking oil and sugar, and declining standards of health and education. Galloping inflation has only been partially compensated by wage rises, and by 1987 the average manual labourer was earning 13 per cent less in real terms than in 1980, according to government statistics.

Moreover, unemploymenmt and underemployment have been rising because of high population growth, the prolonged recession, and the government's attempts to trim the size of the civil service. While the labour force has been growing by 3.5 per cent a year (faster in the urban areas where population has been rising by 5.5 per cent a year), employment in the formal sector has fallen slightly - from 364,200 in 1984 to 356,530 in 1987. About 3,000 jobs have been lost in the copper industry alone.

Budgetary constraints have meanwhile been taking their toll on education and health services. School enrolment has continued to grow, but standards have been declining since about 1980, due to sharply reduced real expenditure per pupil. In the health service, an especially worrying development is that low pay has driven scores of Zambian doctors to emigrate, leaving the nation's hospitals hugely understaffed. Medical facilities are under unprecedented strain, notably because of the increasing hunger-related illness among young children and an alarming increase in child mortality.[116] This is the human context of the debate over restructuring in Zambia.

In the end, the IMF/World Bank-backed adjustment programme proved politically unsustainable. Public support was alienated by the unchecked erosion in living standards as inflation soared. In December 1986, Zambians made it clear that they were unhappy. Fifteen people died as a result of what is generally regarded as an IMF-induced rioting, reported the Zambian Mail.[117] The government was forced to rescind a 120 per cent rise in the price of maize "breakfast meal", that accompanied the removal of government subsidy and also capitulate to union demands - backed by strikes - for an increase in wages. Meanwhile the value of the kwacha, which had fallen from K2.2 to the dollar at the launch of the public auction in October, 1985 to K20, was revalued at K8 to the dollar.

E. THE INTERIM NATIONAL DEVELOPMENT PLAN (INDP)

> We are witnessing a situation where our social fabric is slowly disintegrating...It is patently clear that far from improving our condition, we are not succeeding, hence the need for a fresh look...We have to put in place a new economic programme that must from now on form part of a new attitude which will no longer penalise the major social concerns of the people for the benefit of exterior payments.
>
> (President Kenneth Kaunda)[118]

> We chose the way of the IMF of our own free will... then again of our own free will, we have decided to try another way. We did not, I believe, offend anyone when we employed IMF methods. Again, we shall offend no one now when we choose this other way. I do not wish any one of our supporters, donor countries or donor organisations, to think this is a parting of the ways. I ask them - nay, I appeal to them - to see this as charting out another way which we think offer us a better

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[116] John Clark and David Keen, Debt and Poverty : A Case Study of Zambia. (OXFAM, May 1988)

[117] Quoted in West Africa Magazine, May 25, 1987, p. 1007.

[118] President Kenneth Kaunda, May Day Speech quoted in Daily Mail, May 1987.

chance of a recovery, all things being equal...

(President Kenneth Kaunda)[119]

In taking this measure I can assure the international community that I have examined all other possible alternatives. I am fully aware that this move would not be welcomed by all our creditors. However, before they condemn us, let me put this question to them : Which is a better partner for you in the long run - a nation which devotes all of its resources to paying the debts and therefore grinds to an economic and political halt or a stable nation, capable of sustaining the repayment of its entire debt? I appeal to the international community to seriously consider this question as they prepare their positions on our new policy initiatives.

(President Kenneth Kaunda)[120]

The above words sum up President Kaunda's May 1, 1987 speech when he took the unprecedented step of breaking with the IMF and the World Bank, after the Fund/Bank reform programmes failed to provide any evidence of recovery. A New Economic Recovery Programme (NERP) was launched, beginning with the Interim National Development Plan (INDP), unveiled in July, 1987. In a complete reversal of IMF/World Bank conditions, the home-grown plan increased public spending, interest rates were fixed, incomes and prices were to be administratively controlled and priority was to be given to mobilising a large section of the society in order to cope with unemployment that had reached alarming proportion. As the Permanent Secretary at the Ministry of Finance, Lennard Nkhata observed, "the philosophy behind the plan was that it must take into account local economic reality, not just theory...We wanted to ensure that economic policies worked in a Zambian environment.[121] Indeed the new economic package stood all Fund/Bank conditions on their heads.

The basic objectives of the new programme appeared to be sound enough. In the context of the rapid decline in real per person consumption and income, the government was seeking to increase the rate of economic growth (in part by directly limiting the payment of

[119]ibid., p. 3
[120]ibid., p. 3
[121]Lennard Nkhata, Quoted in Zambian Mail, July 1987.

external obligations); to reduce inflationary pressures (by repegging the kwacha/dollar exchange rate); and; to target scarce foreign exchange to the highest priority needs as well as to target subsidy payments to those most in need.[122] Steps were also taken to diversify exports, and to promote greater use of local raw materials, thereby saving foreign exchange. By fixing the exchange rate, reestablishing price controls and reducing interest rates (to between 15 and 20 per cent), the government aimed to bring inflation under control. On the sensitive issue of consumer subsidies, the government pledged to reduce subsidies gradually and focus them on the needy.

However, a sober analysis of the INDP to date shows that "the INDP has not fully succeeded in tackling the problems of inflation, government budget deficit, scarcity of essential commodities and the worsening levels of unemployment."[123] In the manufacturing sector, a significant increase in foreign exchange availability through the Foreign Exchange Management Committee (FEMAC) from $110 million during the 17 months of the auction period to $165 million during the first 9 months of the INDP has improved supplies of vital inputs and allowed a number of firms to embark on rehabilitation programmes. Overall capacity utilisation is believed to have risen slightly, and the manufacturing sector is estimated to have grown by 2.3 per cent in 1987, but even in the best of circumstances it would take some time for the rehabilitation investments to be completed and thereby remove the supply bottlenecks that have been a major cause of shortages and inflation. The budget deficit fell from 30 per cent of GDP in 1986 to 14 per cent in 1987, due to improved revenue collection and the ceiling on external debt service payments, and money supply growth decelerated from 93 per cent in 1986 to just under 60 per cent in 1987. At the same time, the low income consumer price index rose by 54 per cent and to date there is little sign of inflation abating.

In 1987, GDP fell in real terms by 0.2 per cent (as against an INDP target of 2.2 per cent a year), a poor result partly attributed to drought. The maize harvest fell by 13.5 per cent.[124] In 1988, by contrast, the 2.2 per cent GDP growth target is attainable, if only because

[122] Roger Young, Zambia : Adjusting to Poverty, op. cit., p. 36
[123] Report by National Commission for Development Planning. (Lusaka : June and December 1988)
[124] Bank of Zambia, Report for 1987. (Lusaka :1988)

the weather was more clement and the world copper market has been stronger. The 1987/88 maize harvest brought in a record 16.14 million bags (of 90 kg), probably just enough - for the first time in several years - to cover domestic consumption needs and rebuild stocks.

Zambia has also increased its foreign exchange earnings since the recovery in copper prices in the last quarter of 1987, and the slump in oil prices. Zambian copper sold for 1,208 pounds per ton during the first nine months of the INDP, over a third higher than the 900 pounds assumption built into the plan when it was drafted. Prices have remained at high levels since then, though this may well be temporarily. The increase in copper prices has fortunately offset the adverse impact of the revaluation of the kwacha on the finances of the jointly state-private owned ZCCM, which runs the industry. The company boosted its pre-tax profits from K211 million ($26 million) in 1986/87 to K644 million($77 million) in 1987/88.[125] Meanwhile the decline in the volume of copper exports was arrested in 1986 and major rationalisation measures and investments have been made by ZCCM with the aim of boosting efficiency and production. So far, as we are told,[126] there has not been more than a marginal rise in production, from 463,400 tons in ZCCM's 1985/86 financial year to 473,100 tons in 1987/88, because ZCCM has not been receiving as much foreign exchange as it needs to keep its investment programme on track and obtain adequate supplies of spare parts.

But the reality of external factors beyond the planners' control may yet prove the undoing of the INDPs modest gains. For while the rise in copper prices helps Zambia's balance of payments, long term prospects for copper prices are not good. Demand is expected to be kept in check by sluggish world economic growth while supply is expanded by the reopening of marginal, closed mines, in response to the rise in prices. The International Wrought Copper Council predicted a substantial world copper surplus in the second half of 1988, ending the four years of deficit that brought about a price rise. A renewed slide in export earnings would cause acute balance of payments difficulties at a time when, in reaction to the jettisoning of its IMF programme, both the Bank and the Fund have suspended

[125]Bank of Zambia, Report for 1988. (Lusaka : 1989)
[126]Economic Intelligence Unit, "Zambia : Country Report 6 - 1988," (London : April, 1988)

disbursement of new funds to the country, and donor funding has reduced substantially. The balance of payments situation remains precarious and new policy initiatives are needed for the next stage of Zambia's epic struggle for economic revival.

In brief, the IMF/World Bank programme and the INDP recognised neither Zambia's structural frailties nor its external vulnerabilities, and as Bates suggests therefore, did not propose creative strategies to cope with the constraints of growth and equity.[127] Neither did those programmes coerce the privileged into accepting shorter-run austerity, nor did they suggest that they share more equally with other classes the burdens of longer-run adjustment. The reason for this, as has been pointed out earlier, was that the cooperation of the economic and political elite ensured that surpluses were generated by the state for the mutual benefit of these two groups. An alternative to this potentially destructive approach would be to take seriously the suggestions contained in Narrowing the Gaps,[128] e.g., setting minimum basic needs standards, setting targets for provisions of essential services, setting the required minimum household income needed to finance the above, forming organisations through which all Zambians could participate effectively in the resource allocation and income distribution process, and implementing all of the above within the planning process. In addition, the budgetary process would have to be used as the primary vehicle for development, including shifting more economic burdens to the elite and international investors.

[127]Rural non-elites particularly cannot be systematically ignored in favour of elites. If they are, they either "...will resign themselves to their political position and seek private solutions to their economic fate, or they will attempt to devise new forms of political action to compel public measures to enhance their well being. The way they make this choice will be of central importance to Zambian politics."See Robert Bates, Rural Responses to Industrialisation : A Study of Village Zambia. (New Haven : 1976), p. 260

[128]International Labour Office, Narrowing the Gaps : Planning for Basic Needs and Productive Employment in Zambia. (Addis Ababa : January 1977), p. 1

Table 7-Zambia : Economic Indicators

	1983	1984	1985	1986	1987
GDP at current market prices (Kmn)	4,181	4,931	7,072,	12,954	18,080
Real GDP growth(%)	-2.0	-0.4	1.6	0.6,	-0.2
Inflation (%)	19.7	20.0	37.4	51.6	43.0
Employment ('000)	...	364.2	360.5	360.5,	356.6
Fixed Investment/ GDP (%)	14.7	12.6	10.3	10.7	10.7
Domestic credit (% change)	15.0	20.7	83.6	33.4	...
Money supply (% change	11.1	17.2	23.3	93.3	60
Agricultural production (1979-81=100)	102.8	105.7	114.8	122.2,	122.5
Food production per head (1979-81=100)	93.2	90.9	96.9	94.4,	94.4
Copper production ('000 tons)	551.0	525.8	463.4	471.0,	473.1
Manufacturing production (1973=100)	94.5	94.9	103.0	105.9	109.6
Exports($mn)	923	893	797	689	907
Imports($mn)	711	612	571	517	626
Current account balance ($mn)	-271	-153	204	-302	-150
Total external debt ($bn)	3.78	3,88	4.42	5.30	6.51
Average exchange					

rate (kwacha per $)	1.25	1.79	2.71	7.30,	8.89

SOURCE : IMF, WORLD BANK, FAO, CENTRAL STATISTICAL OFFICE,

ZCCM,NATIONAL COMMISSION FOR DEVELOPMENT PLANNING.

Zambia's Debt Profile (Year End 1986, US$mn)

SOURCE	Balance Outstanding	%	Principal Payments	%	Interest, Payments	%
World Bank	460	8	30.0	5	36.5	11
IDA	191	3	0.0	0	2.3	1
Other	305	5	32.8	6	21.0	6
Total Multilateral	956	17	62.8	11	59.8,	18
IMF	856	15	220.8	40	47.5	14
Total Preferred	1812	32	283.8	51	107.3,	32
Export Credits	1024	18	114.5	20	70.1,	21
ECA Debt	117	2	42.4	8	9.8	3
ODA	1131	20	37.0	7	25.3	7
Total Bilateral	2272	40	193.9	35	105.1,	31
Financing Institutions	265	5	14.3	3	12.1	4
Suppliers' Credits	268	5	66.7	12	16.8	5
Short-term						

Debt	1091	19	-a-	0	88.2	20
Total Private	1625	28	81.0	15	127.1,	37
Total Debt	5709		558.6		339.5	

-a- Assumes short-term debt is rolled over

SOURCE : WORLD BANK, "ISSUES RAISED BY ZAMBIA'S DEBT SITUATION."

(WASHINGTON : JULY 1987c)

Table 9 Financial Flows Between Zambia and IMF : 1971-84 (Million Kwacha)

YEAR	REPURCHASE	CCF	OIL FACILITY	USE OF IMF CREDIT TRANCHE	EXTENDED, FACILITY	TOTAL
1971		14.7				14.7
1972		29.5				29.5
1973		29.5		14.7		44.2
1974		29.5		15.0		44.9
1975	28.6	28.6	14.2	14.3		57.2
1976	17.5	35.0	27.4	25.4		87.8
1977	17.5	52.5	27.4	7.8		87.8
1978		108.4	30.4	111.1		251.0
1979	26.9	95.5	24.2	205.8		327.8
1980	45.1	69.7	16.6	227.3		315.8
1981	48.4	98.2	9,0	228.5	307.3	643.0
1982	88.3	108.1	1.4	172.8	307.3	589.6
1983	146.0	243.9		185.9	384.1	814.0
1984		410.9		510.1	614.8	1,535.8

Converted at SDR Exchange Rate

SOURCE : IMF INTERNATIONAL FINANCIAL STATISTICS 1984

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V. CHAPTER FIVE - TIME TO REACH DECISIONS

In the preceding chapters, I have tried to shed light on the salient features of SAPs in Africa, providing understanding of the dynamics of these programmes from a socio-economic and political standpoint, using Ghana and Zambia as case studies. We have seen the failure of the SAPs to address the inequalities and thus the needs of the poor by proving the dire consequences on the disadvantaged in society. We have pointed out the necessary consequences of these development strategies and the policy of structural adjustment; we have been interested in evidence of failure and the logical necessity of failure. The evidence so far suggests that the failure in both countries is because of the premise on which the SAPs are built i.e. the stress on internal policy changes without corressponding external policy reforms.

It seems necessary at this point, after establishing the fact of failure, to present new options by way of suggestions on how SAPs might be changed to better serve the interests of the poor. These suggestions are born out of the logic and dynamics of the African state as a whole. In offering suggestions for policy changes, this thesis moves beyond an "internalist" focus to note the "externalities", thereby providing a more composite and thus more realistic contribution to the available literature and to policy makers.

A. LESSONS FROM THE GHANAIAN AND ZAMBIAN EXPERIENCES

The Ghanaian and Zambian stories suggest that prospects for remedying an ailing economy need not be premised only on internal policy reform. There are other factors such as the dependence on trade on unequal terms and a heavy debt burden. The latter further obliges the countries to commit a substantial fraction of their foreign exchange resources to debt-servicing, thereby imposing inflexible constraints on the countries' governments through the cooptation of their decision-making by Inter-Governmental Organisations (IGOs) and creditor countries.[129] When the Less

[129]Ronald T. Libby, "External Co-Optation of a Less Developed Country Policy Making : The Case of Ghana, 1969-1972," World Politics, Vol.XXIX,

Developed Countries (LDCs) became heavily dependent upon the IGOs and creditors for financial assistance to enable the governments to survive a disastrous shortfall in foreign exchange earnings, they were forced to accept extreme and politically dangerous measures in order to secure assistance. The policies that were adopted have been catastrophic for the LDCs and destroyed the governments' public support.

The Rawlings regime, for instance, had sought and received the support of popular democratic organisations at its inception. One can recall the optimism generated by the December 31, 1981 coup, especially among the country's urban workers, students and the intelligentsia. After all, Rawlings had said in his broadcast announcing the coup : "I ask for nothing less than a revolution. Something that would transform the social and economic order of this country. The military is not in to take over. We simply want to be part of the decision-making process in this country... We are asking for nothing more than to organise this country in such a way that nothing will be done...without the consent and authority of the people..."[130] An array of political forces rushed in their resources to help in this historic transformation. Within two years, however, the position of these democratic forces had been largely undermined. This coincided with the regime's implementation of the IMF/World Bank-sponsored economic recovery programme, for the ERP contained a catalogue of anti-people measures and thus imposed severe hardships on the working people.

Given the context in which economic policy was formulated (note the ailing economies), the governments appeared to have no option but to accept the massive devaluations, removal of subsidies and other conditionalities. These policies were considered necessary to demonstrate to the IMF/World Bank and other creditors that Ghana and Zambia were determined to 'live within their means' and that they therefore deserved further assistance. But, as Libby argues, in the case of Ghana

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[129](cont'd) No. 1, October 1976.
[130]Flt. Lt. Jerry John Rawlings, Coup Broadcast, December 31, 1981. Quoted in Daily Graphic, January 2, 1982, p. 1

"once the government accepted the auspices of the IGOs in coordinating aid and debt conferences, it was forced to deal with the coordinated influence of donors and creditors thereafter. The IGOs set the policy framework within which creditor countries and commercial banks dealt with Ghana; they had co-opted the country's policy formation process by coordinating external contracts with the government." [131] When external assistance became crucial for the governments' survival due to economic decline, the governments were placed in a dilemma of taking policy measures which would have a traumatic effect upon the Ghanaian and Zambian publics or risking the severance of export credit and aid - which would also at a certain point (but not immediately) undermine public suppor .

The policies which the Ghanaian and Zambian governments ultimately adopted were viable in the context in which they were formulated. However, in the countries' domestic political and social context, they were suicidal. No government can continue for long if it formulates policy primarily to satisfy external constituents. This condition applies particularly to popularly elected Third World governments whose democratic institutions are poorly developed. But as the PNDC's gamble has shown so far, it might be trite to posit that IMF conditionalities might only be carried out totally by an oppressive military group. The military may have proved the best bets for implementing the kind of adjustment required by the IMF and the World Bank.

The foregoing simply repeats the claim that the growing crisis of the capitalist world system has been exerting devastating effects on the Ghanaian and Zambian economies. It also reinforces the need for external reforms as the complement to internal policy reform. However, unless the Third World provides the political fulcrum through political unity/cooperation, implementation of the necessary external reforms would be elusive.

[131]ibid., p.14

The practicality of the macroeconomic orthodoxy advocated by the IMF and the World Bank, as Roger Young [132] aptly put it, may well be limited in the case of poor countries by the often intolerable costs that must be borne by the society in order to achieve stabilisation: "It is usual to find that stabilisation programmes require demand depression to reduce imports in the short run. Thus, it is often political resistance that leaves governments fighting against stabilisation programmes unless there is some evidence of economic growth in the short term to ameliorate the economic, social and political costs of stabilisation."[133]

The Ghanaian and Zambian governments could not apply the radical measures required to cope effectively with the externally and internally caused economic troubles. The political structure prevented government action in the direction of austerity and egalitarianism because despite the very tangible benefits their (i.e. governments') rule has brought to the privileged classes, no attempt has been made to coerce privileged classes to accept more adjustment burdens, that is, the governments never contemplated attacking their privileged position. The question then is whether the governments can face up to the challenge of shifting more of the burdens to the privileged classes.

Both experiments are perfect illustrations of what Rothchild and Gyimah-Boadi[134] note as the difficulties of implementing reformist and economically rational policies in contemporary Africa. While in the long term such moves may generate political as well as economic benefits, few African governments, given their lack of autonomy from societal forces and their lack of coercive capacity, can afford to adopt this horizon. "Short term pay-offs from high food prices, devaluation, reduced money supply etc, are likely merely to be popular unrest and an invitation to

[132] Roger Young, Zambia : Adjusting to Poverty, (Ottawa:North-South Institute, 1988)

[133] ibid., p.24

[134] Donald Rothchild and E. Gyimah-Boadi, "Ghana's Economic Decline and Development Strategies," in John Ravenhill (ed), Africa in Economic Crisis, (Columbia University Press, New York 1986) pp.254-285

others to topple incumbent regimes."[135]

B. IMPLICATIONS OF SAPs IN AFRICA

> Of course we Africans know only too well that we have to be the masters of our own destiny, and that we have to sustain domestic policy reforms, continue the efforts to improve economic management as long as it takes... to pursue self-reliant and self-sustaining development and to strengthen economic cooperation and integration in Africa. But these efforts, no matter how relentlessly they are pursued, would be futile without genuine improvement in the external environment and without the adequate support of the international community.
>
> (President Kenneth Kaunda)[136]

> Policies such as structural adjustment are bound to produce discontent, but for a conscientious government there is no alternative. If we do not have a recovery programme, we will be committing suicide.
>
> (President Abdou Diouf)[137]

> Some components of the ERP have and will exacerbate the economic problems of certain vulnerable groups in the short run, and this may impede the sustainability of the recovery programme itself.
>
> (PAMSCAD)[138]

The argument for structural adjustment has been a simple one : about two decades after political independence the economies of virtually all African countries went into spins as a result of "imbalances" that had as much to do with world

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[135] John Ravenhill, "Africa's Continuing Crises : The Elusiveness of Development," in Ravenhill (ed), Africa in Economic Crisis. op. cit., p.31

[136] President Kenneth Kaunda, Speech delivered to United Nations General Assembly on October 6, 1987. Quoted in Zambian Mail, October 8, 1987, p. 1

[137] President Abdou Diouf, Press Conference on March 4, 1988 in Dakar, Senegal. Quoted in Senegal Daily, March 5, 1988

[138] Programme of Action to Mitigate the Social Costs of Adjustment (PAMSCAD), (Ministry of Information : Accra, Ghana) p. 20

recession as internal mismanagement and corruption. Unfortunate African leaders were thus compelled to listen to officials of the IMF prescribe "conditionalities" with the refrain of "adjust or perish." For a while ordinary people heeded the message that they had to swallow the IMF bitter pill. But numerous instances of direct and indirect "IMF riots" in the past couple of years have exposed the extent to which the IMF/World Bank prescriptions lacked a human dimension.

In some African countries, the political consequences of these adjustment measures have been severe; they have met with popular resistance in the form of riots, for instance, against the rising cost of food. Indeed, the social and political consequences of these programmes are threatening the very foundation and stability of the African social and cultural structures. The seriousness is captured by a metaphor introduced by Prof. Reginald Green of the University of Sussex : "The stark reality," he wrote, "is that the fabric of many African societies - national, regional and local - has been wrent. The cooking pots of millions have been broken."[139] This situation has led many governments to question seriously the long-term benefits to be expected from the institution of these adjustment measures. The implementation of the structural adjustment programmes (SAPs) has proven in many African countries to be marginal in terms of effectiveness, hardly adaptable to their economic conditions and of doubtful long-term benefit. An Organisation of African Unity report states inter alia : "In fact, human resources development has received very low priority in the structural adjustment programme; education and health have been particularly hard hit. This undoubtedly weakens long-term prospects for development, while increasing inequality and poverty."[140]

Africa's critical economic situation has continued to deteriorate, despite the wide-ranging economic reforms (SAPs) undertaken by African governments and

[139]Reginald Green, Paper Presented at Conference on Human Dimension of African Economic Recovery, Khartoum, March 5-8, 1988. (ECA : Addis Ababa, 1988) p.50

[140]Organisation of African Unity : Report for the Mid-Term Review of UN-PAAERD, p. 2

important initiatives by the international community to support African recovery efforts. As a result, a new dangerous development is emerging among African countries : adjustment fatigue. This is setting in as more and more African countries reach the point where further austerity, in the absence of meaningful economic growth, has become politically and economically untenable. The margin for manoeuvre for African countries has been exhausted and there is a genuine feeling in Africa of a bitter sense of unfulfilled expectations.

One reason the crisis is so unyielding is the gravity of the African situation, which is often incorrectly seen as being one of many crises afflicting the entire southern hemisphere. But the fact is that the levels of deprivation in Africa, especially in Sub-Saharan Africa, are much greater than in any other developing region. The combined adverse effects of domestic structural impediments and tightened external resource constraints have outweighed the positive influence of policy reforms. Weak infrastructure, lack of skills, import dependence, proneness to drought and rapid population growth have combined with declining prices for most commodity exports, inadequate and stagnating foreign real resource flows and mounting debt-servicing obligations to stifle the growth of the region. As the report of the Secretary-General of the U.N. indicates, "per capita income has fallen a further 4.2 per cent in the last two years, the debt burden has grown heavier and is projected to rise still further, and each of the last two years has seen a further decline in imports crucial to economic growth. In other words, recovery is not around the corner."[141]

The continent's gross domestic product, in per capita terms, declined by 2.0 per cent in 1986 and a further 2.2 per cent in 1987, and is today lower than in 1980. Agricultural production improved by 3.8 per cent in 1986, but only by 1.1 per cent (much lower than population growth of 3.0 per cent) in 1987, despite the agricultural policy reforms implemented in many African countries. The setback was much greater

[141]Secretary-General of the United Nations, : Report Prepared for the Mid-Term Review of the UN Programme of Action for African Economic Recovery and Development (UN-PAAERD), (United Nations : New York, 1988) p.11

for cereals, with the UN Food and Agriculture Organisation (FAO) reporting a fall of 9.2 per cent in cereal production per capita in 1987, due to a return to drought in parts of the continent, as well as crop damage by locusts. [142] This underscores Africa's continuing vulnerability to adverse weather conditions. The regional food deficit has widened and the FAO estimates that the region's aggregate food aid needs have increased by more than 45 per cent in 1987/88.

However, it must be stressed that it is the external constraint that is emerging as the most critical obstacle to African recovery and development. Four such inter-related external problems can be pinpointed, viz. - the collapse in commodity prices, protectionism in the developed countries, the enormous debt and accompanying debt-servicing burden and inadequate financial flows (concessional finance) from all sources.[143]

C. LOOKING OVER THE HORIZON

> Normally development theorists should be trained to test their models by observing what they do to people, since human welfare is theoretically the goal of development. People in this context means not well-off, well-fed elites but poor and hungry majorities whose fundamental needs are presently not being met. When the reigning development model(s), or paradigm(s), has been applied for decades and has failed to alleviate human suffering and oppression - or worse still, has intensified them - it should be ripe for revolution.
>
> (Susan George-A Fate Worse Than Debt)[144]

[142]UN Food and Agriculture Organisation (FAO), Quoted in Secretary-General's Report, op. cit., p.12

[143]For a detailed discussion of these external as well as internal constraints, See Chapter Two.

[144] Susan George, A Fate Worse Than Debt, (Penguin Books, London, 1988) pp. 256-7