The International Politics of Structural Adjustment in Sub-Saharan Africa 1983-1990; With Special Reference to Ghana and Nigeria.

By

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ABSTRACT

Sub-Saharan Africa entered the 1980s faced with a crisis of unprecendented proportions. The economies of the region which were already in decline by the late 1970s, were in danger of collapse. The severity of the crisis was also reflected in rising indebtedness, social decay and political instability. To tackle it, African leaders met at an extraordinary economic summit in Lagos in 1980 and adopted a common strategy which became known as the Lagos Plan of Action. The crisis in Sub-Saharan Africa is part of a general world-wide economic recession stemming from a period of economic decline in the leading industrial economies. As a result, the leading industrialised countries and international institutions designed strategies to tackle the crisis both at the global level and in the developing countries such as those in Sub-Saharan Africa. For Africa, the strategy adopted by the World Bank and the IMF was that of structural adjustment.

The orthodox approach of the World Bank generated controversy as to its suitability to the African situation. This disagreement was a reflection of conflicting political interests as well as power relations both internationally, and within African states. This thesis analyses the impact of the politics of structural adjustment programmes in Africa, with special reference to Ghana and Nigeria between 1983-1990. The arguement is that orthodox structural adjustment has failed to reverse the decline in Africa largely because of continuing disagreement between African governments and international institutions over the content and direction of adjustment.

The study is presented over eight chapters. The introductory chapter sets the agenda. Chapter one covers the international dimension of the African crisis, while chapter two looks at the internal dimension. Chapter three contains a detailed analysis of the international politics of structural adjustment. Chapters four and five discuss the adjustment programme in Ghana and its impact on the country's political economy. The Nigerian experience is similarly examined in chapters six and seven. The conclusion, chapter eight, addresses the issues behind the failure of orthodox adjustment in Africa and makes recommendations.

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DEDICATION

To the memory of my mother, Bamsah Victoria Zabadi

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LIST OF ABBREVIATIONS

AAF-SAP	African Alternative Framework for Structural Adjustment Programmes for Socio-Economic Recovery and Transformation
ADPs	Agricultural Development Programmes
AFRC	Armed Forces Revolutionary Council(Ghana)
AFRC	Armed Forces Ruling Council(Nigeria)
APPER	African Priority Programme for Economic Recovery
ASUU	Academic Staff Union of Universities
C.	Cedi(Ghana)
CBN	Central Bank of Nigeria
CDRs	Committees for the Defence of the Revolution
CocoBod	Cocoa Board
CPP	Convention People's Party
DFRRI	Directorate of Food, Roads and Rural Infrastructure
ECA	Economic Commission for Africa
EC	European Community
ECEP	Economic Consolidation and Expansion Programme
EEC	European Economic Community
EFF	Extended Fund Facility
ERP	Economic Recovery Programme
ESAF	Enhanced Structural Adjustment Facility
FEM	Foreign Exchange Market
FOREX	Foreign Exchange Bureau
G-7	Group of Seven
GATT	General Agreement on Tariff and Trade
ICU	Industrial and Commercial Workers' Union
IDA	International Development Agency
IDCC	Industrial Coordinating Committee
IFEM	Interbank Foreign Exchange Market
ILO	International Labour Organisation
IMCs	Interim Management Committees
IMF	International Monetary Fund
JCC	Joint Consultative Council

JFM	June Four Movement
JSS	Junior Secondary School
LPA	Lagos Plan of Action
MFA	Multi-Fibre Arrangement
MFJ	Movement for Freedom and Justice
MMD	Movement for Multiparty Democracy
MNCs	Multinational Corporations
₦	Naira
NANS	National Association of Nigerian Students
NDE	National Directorate of Employment
NDIC	Nigeria Deposit Insurance Corporation
NEPA	National Electric Power Authority
NICs	Newly Industrialised Countries
NIEO	New International Economic Order
NLC	Nigeria Labour Congress
NLC	National Liberation Council
NNPC	Nigerian National Petroleum Corporation
NNSC	Nigerian National Supply Company
NPN	National Party of Nigeria
NRC	National Redemption Council
NUGS	National Union of Ghana Students
OATUU	Organisation of African Trade Union Unity
OAU	Organisation of African Unity
OECD	Organisation for Economic Cooperation and Development
OIC	Organisation of Islamic Conference
OMAs	Orderly Marketing Arrangements
OPEC	Organisation of Petroleum Exporting Countries
PAMSCAD	Programme of Action to Mitigate the Social Cost of Adjustment and Development
PDCs	People's Defence Committees
PNDC	Provisional National Defence Council
PNP	People's National Party
PRLG	People's Revolutionary League of Ghana
PTA	Parents-Teachers Association
RBDAs	River Basin Development Authorities

SAF	Structural Adjustment Facility
SALs	Structural Adjustment Loans
SAP	Structural Adjustment Programme
SBA	Standby Arrangement
SDA	Social Dimension of Adjustment
SDR	Special Drawing Rights
SECALs	Sectoral Adjustment Loans
SFEM	Second-Tier Foreign Exchange Market
SIPRI	Stockholm International Peace Research Institute
TRIPs	Trade-Related Aspects if Intellectual Property Rights
TUC	Trade Union Congress
UAC	United Africa Company
UGFC	United Ghana Farmers Council
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Childrens Fund
Unigov	Union Government
UNPAAERD	United Nations Programme of Action for African Economic Recovery and Development
URF	United Revolutionary Front
VERs	Voluntary EXport Restraints
WAI	War Against Indiscipline
WDCs	Workers Defence Committees

Introduction

The 1980s saw the elevation of economic issues as the major item on the agenda of international relations. As the decade came to a close, economic matters, particularly between the North and the South, became more important than the cold war between East and West. These economic issues centred on how to arrest the decline in the world economy in general, and particularly in the developing countries where the crisis was severe; and to generate recovery and growth in all economies. The debt crisis and the severe external imbalances which afflicted most of the developing countries from the early 1980s, and the measures which the major industrial countries took to tackle these problems, gave them a distinct flavour of a struggle between the North and the South for power in the world economy reminiscent of the situation in the first half of the 1970s.

However, the senario in the 1980s was quite different in the sense that the Third World did not have the power to confront the Western powers as they did in the 1970s. While in the 1970s the perceived power of the Third World persuaded the West to pay lip-service to demands for a new international economic order, in the 1980s despite Southern resentments, they could not refuse the offers made to them by the North but had to go along. In this respect, it was the South which struggled to cope with its loss of influence on international developments. In particular, the enduring disagreements over the structural adjustment programmes implemented under the supervision of the IMF and the World Bank in Sub-Saharan Africa, reflects this brand of North-South relations. It is this struggle for the control of the adjustment process in Sub-Saharan Africa and the impact on the recovery programmes which is the subject of this study.

However, structural adjustment is itself not a new phenomenon in the management of economic crisis. The Bretton Woods arrangements for the post-war international economy had envisaged that a country could experience such external imbalances and provided for ways to resolve them. The Bretton Woods system provided that once a country had balance of payments problems, it was incumbent on the country in question to take the necessary steps to restore balance. It was assumed that these imbalances were temporary and could be corrected by the prompt adoption of the required reform measures. For instance, in the final analysis a country might be required to devalue its currency to make its products more competitive internationally. While this would make locally-produced goods cheaper, it would make imports more expensive and thereby restore balance to the external sector. There was also the provision that a country could borrow from the IMF to tide it over the crisis. This arrangement was subsequently modified to include conditionalities and other measures designed to ensure compliance. Thus, under Bretton Woods, the burden of adjustment was borne by the country concerned.

Since the Bretton Wooods arrangements were essentially designed to meet the needs and interests of the major industrial countries, it was assumed that such balance of payments problems would be few and far in-between. However, the problem of external imbalances in Sub-Saharan Africa is very different from what the Bretton Woods arrangements envisaged. For the most part, these imbalances remained permanent and enduring in the region. Therefore, when structural adjustment programmes were introduced in the region in the 1980s, it became something new. In this sense, structural adjustment was new in terms of the scale of implementation which covered thirty-three countries in the region. Another sense in which structural adjustment presented a new problem was that it raised the issue of sharing the burden of adjustment between African countries and the international community. This issue of was made even more important in the political struggles between the major industrial countries and the developing world, by the unprecedented levels of indebtedness among these countries.

The question of sharing the burden of adjustment has caused significant political disagreements between the leading industrial countries and the debtor countries over how the latter's economies should be adjusted. In the case of Sub-

Saharan Africa, this is reflected in the controversy which followed the adoption and implementation of structural adjustment programmes supported by the IMF and the World Bank. This is the major point of division between the two Bretton Woods institutions and their major owners on the one hand, and the OAU, the ECA and other interest groups on the other. The issues involved relate to the appropriateness of these reform programmes as the solution to the African crisis. This study investigates the political interests which have shaped and influenced the implementation of structural adjustment programmes in Sub-Saharan Africa, as well as the impact they have had on these countries.

The importance of this subject is demonstrated by the large and growing literature on it. The literature on structural adjustment can be broadly categorised into those writings which promote an orthodoxy based on the revival of the Bretton Woods system, or at least on its belief in strict market disciplines on the one hand, and a number of approaches which are seen as alternatives to the orthodox school, on the other.(1) The orthodox approach set the pace in this debate and its triumph was underlined by the implementation of orthodox reform programmes in Africa and the intellectual and financial support of the IMF and the World Bank, and the political support of the Group of Seven (G-7). The other approaches are largely a reaction to the claims of orthodoxy, questioning the appropriateness of orthodox adjustment programmes or aspects of them, as solution to the crisis in Africa.

The orthodox prescriptions for Africa which were launched with the publication by the World Bank of the Berg Report in 1981,(2) were initially concerned with protecting the integrity of sovereign debt and short-to-medium term stabilisation measures which had evolved under the Bretton Woods system. The reforms included devaluation, fiscal and monetary policies, export-oriented growth, trade liberalisation, price de-regulations, the expansion of the market and the drastic reduction in the involvement of the state in the economy. These reform measures put the burden of adjustment on reforming countries as the rescheduling of debts and the giving of programme-tied aid was made conditional on these countries meeting performance criteria set by the IMF and the World Bank. For the most part, these programmes were designed to run for 3-5 years at a time. The involvement of the World Bank and the IMF in their implementation, generated bitter debates and disagreements throughout the 1980s. The disagreements centred on the pace and sequencing of the reforms in opening economies to international markets, the appropriate roles of the state and the market in promoting national development, sharing the cost of adjustment both domestically and internationally, and the appropriateness of adjustment measures in aiding the attainment of development and other national objectives.

The alternatives to the Bretton Woods orthodoxy range from structuralist to a variety of heterodox programmes.(3) The structuralist position is essentially that the IMF and the World Bank-supported adjustment programmes are unsuitable for developing economies like those in Africa because they are structurally different from the advanced industrial economies to which these measures are better suited. It is also claimed that the structural problems of the developing economies would require more not less intervention by the state, to remove them. The orthodox programmes are seen as destabilising and /or instruments of recolonisation. The heterodox position is a middle course between the state and the market. It argues that some economic problems are better tackled by state intervention than by market mechanisms. For instance, that direct wage and price controls have proved to be more suited to tackling inflation at low cost for economic growth. An appropriate mix of market solutions and state intervention rather than the wholesale use of market mechanisms alone as the adjustment programmes in Africa demonstrate. A variant of this heterodox approach which is associated with Unicef has concerned itself with the consequences of orthodox adjustment for the lower income and vulnerable groups. The concern for the distributional effects of orthodox adjustment has led proponents of this approach to call for 'adjustment with a human face'.(4)

All these positions reveal that structural adjustment is a contested and complex issue, no one approach provides all the answers. The answer must be in adopting a more comprehensive approach which combines the essential elements of the various approaches on offer. However, there is a dimension - the political-which has been given little emphasis in the literature. Yet politics are critical to the resolution of the crisis in Africa. The political factors which lie behind the dominance of orthodox adjustment such as the question of power relations in the quest to exercise control over the international economy need to be analysed in the light of their implications for the outcome of the recovery programmes in Africa.

The ideological commitment of the major powers in the G-7 to market principles as the basis of operating the world economy and carrying out reforms in developing economies such as those of Africa, is an important element of this political dimension which requires greater attention. Another issue is the political conflict over the agenda of structural adjustment between the major economic powers and the Bretton Woods institutions on the one hand, and the developing countries and institutions such as the OAU on the other. The domestic political situation in African countries also merits attention. These are so essential to the outcome of the adjustment process in Africa that they should not have been excluded. This is the gap which we intend to fill in this study, to investigate how these factors have combined to determine the nature and outcome of structural adjustment programmes in Sub-Saharan Africa.

This research aims to assess the performance of SAPs by analysing their impacts on the countries which have implemented them. In this regard, the performance of the programmes will be tested in the light of a number of issues which include:

(a) The impact of the macroeconomic measures on the economy, specifically, the effect on the output of food for dosmestic consumption; the effect of liberalisation policy on domestic production and consumption; on the level of domestic savings and investment; on industrial production and output of import substitutes; and on the performance of the export sector.

(b) The impact of measures on the financial sector, such as on the level of inflation; on the level of flow of external resources in support of SAPs ; the inflow of foreign investment; and whether trade policy and exchange rate policy are complimentary. (5)

(c) The effects on the distribution of the benefits and burden of adjustment on the population; the level of support or social opposition to SAP; the perceptions of the people on the role of the IMF and World Bank in the adjustment process, that is whether SAP is seen as an external imposition; and its impact on human development.

(d) The capacity of the governments to cultivate the necessary political support without being repressive; the extent to which the ruling elite identify with and support the adjustment programmes; and the role of the state in this process,in terms of democratic governance.

(e) The theoretical validity of the IMF/World Bank analysis of the African crisis and the strategy of orthodox adjustment; and wether or not it compliments the African goal of self-sustained development.

The conceptual frame adopted in this research is one which sees SAP as a pressure for globalisation (or internationalisation of production) imposed by the predominance of capital. The reality of this globalisation means:

> (1) that any crisis of the capitalist system will be a crisis of the international division of labour, thus especially, a North-South crisis;
> (2) that the alternatives of the day will be transnationalization or autonomous development ...(6)

The current global crisis now takes place at the levels of the periphery trying to resist the'exigencies of the logic of transnationalisation', the resistance of the working class at the centre, and the conflict between the strategies of capital and the national states. The response of capital to the crisis, Samir Amin argues, has necessarily been drastic:

> This includes the overcoming of the South by compradorization (witness the end of the North-South dialogue and the emergence of a Northern bloc confronting the South, as at Sixth UN Conference on Trade and Development (UNCTAD) in Belgrade in June 1983; the undermining of the Workers' Movement in the Centre by unemployment, and of the inter-class movement by inflation (winning the middle classes to the right); and the submission to the American counter-offensive which seeks to reestablish the hegemony of the United States and consequent instrumentalization of the IMF...(7)

The ruling elite in the South is now caught in the dilemma of pursuing their national desires or submitting to 'compradorisation', that is, to become mere instruments or agents of the West in the expansion of the market system in its new form, without being able to exercise any sovereign authority in taking decisions on their economies. During the relatively favourable conditions under Bretton Woods Mark I,(8) the ruling elite in the South was able to win some concessions from the international economic system. The ruling elite has even been able to carry out a measure of development (such as import-substitution industrialisation) by seeking to break out from the international division of labour. The present crisis has revealed the weaknesses of the ruling elite's attempts at development. This is seen in terms of the deficits, external debt and erosion of popular support. The crisis thus provides an opprtunity for recompradorization of the South, by forcing a capitulation from the bourgeoisie. This is being done through SAP. The success of SAP as a global offensive against the Third World,

> ... would lead to the recompradorization of bourgeoisies in the South and logic of monopoly capital's strategies for transnationalization.(9)

In our analysis of Africa's relations with the world economy through the implementation of SAP, we shall treat the internal-international divide as artificial because of the integration of these economies into the world economy. This means that we see factors originating from the world economy as linked to the internal phenomena which they generate or exacerbate. There will be greater emphasis on the fundamental structures of the African crisis rather than on the effects. These fundamental structures relate not only to the economic but to the social and political as well. They are also linked together in their operations and thereby tend to affect each other. For instance, the political aspect of the African crisis such as the structures and working of the state, have tended to cause or exacerbate a given crisis as much as either the economic or social structures. Thus, a discussion of the structures of the crisis is by implication, also a discussion of the politics. This enables the discussion to be presented with the aid of statistical data. The data used in reporting this research are drawn from sources with an authoritative and proven record of reliability, in view of the unavailability and often unreliability of African statistical data. This does not mean that data processed by African governments and their agencies are not used. It only means that the data used here are drawn from a variety of sources including African, to give a complete picture of the situation being studied.

Also, because our subject of study is evolving and continually changing, much use has been made of sources from various institutions and governments or their agents, who are closely involved in the adjustment process in Africa. These include sources from the World Bank, the IMF, the OECD, ECA, OAU and other institutions which have also done some work on the subject. The works of individual scholars and officials in this area have also been used. We have also used press bulletins and reports on the subject. However, because of the level of sensitivity of African governments especially our case study countries, Ghana and Nigeria, to the subject of structural adjustment, interviews have been conducted with individuals linked to the governments only to a limited extent. Instead, we have relied on the public statements by officials involved in the implementation of SAPs and publications on the subject by government institutions such as the central banks and ministries of finance.

Sub-Saharan Africa is a diverse region with the 45 countries which make up this region varying interms of size, natural resource endowments population, physical characteritics, etc. This diversity raises the problem of using the experiences of two countries such as Ghana and Nigeria to make analyses, generalisations and draw lessons and conclusions which are applicable to the region as a whole. Notwithstanding this diversity, Ghana and Nigeria are in many ways representative of the situation in Africa in that they contain elements of the diversity which make up the region. In comparative terms, Ghana is a small African country with a largely monocultural economy dependent on export earnings from cocoa. Ghana is also a good example of the African economy in which the state plays a dominant role. Usually, this takes the form of some socialist experiment in which the state is assigned the role of agent of development.

On the other hand, Nigeria is a very large country with a large population. It is also a rich oil exporting country, classified as a middle-income economy. Nigeria provides an example of the African mixed economy, in which there is a significant and active private sector but with the state controlling the 'commanding heights' of the economy such as the oil sector, banking and finance, iron and steel and infrastructural development. Even though the involvement of the state pervades all areas of the economy, it tends to be more open and market oriented than economies such as that of Ghana. Most African economies fit one or the other of those two broad categories.

However, both Ghana and Nigeria share with the other African economies similar weaknesses and conditions as identified by the World Bank and other institutions involved in the development process in Africa like the ECA. As the Wass Report has correctly observed:

> ... we believe that the similarities of the problems throughout the Sub-Saharan region are more striking and important than the differnces. The region as a whole is plagued by deep and persistent problems. All Sub-Saharan countries are greatly affected by volatile commodity prices and climatic factors. All are at an early stage of development and have, by world standards, very low income per head. (10)

Furthermore, the orthodox adjustment measures imposed on all Afican countries as well as the conditionalities and cross-conditionalities are similar. The coordination between the IMF and the World Bank in supervising structural adjustment in Africa, make it possible to study the impact of this process on

Ghana and Nigeria as cases which are representative of the African experience. Thus, the similarity in kind, of these economies should to a large extent make valid lessons and conclusions drawn from their analysis to the region as a whole.

However we do recognise the possibility that some Sub-Saharan countries could be integrated into the new division of labour at a higher level than the rest. For instance the logic of profit might require the relocation of certain industries which are labour-intensive and require unskilled or semi-skilled labour. This should happen if the cost of production in the Newly Industrialised Countries threaten profits. Already, many of the NICs have joined the high-tech club of nations through their production of micro chips, computers and the like. Such developments certainly recommend countries like Nigeria, Ivory Coast, Zimbabwe and Kenya to play the role which the NICs were doing in the 1970s. Industries like textiles, component manufacture and assembly, etc, would then be done in these Sub-Saharan countries. The rest of the region will supply raw materials, thanks to the export-oriented strategy of growth that the IMF and World Bank have imposed through SAP. The African crisis itself did not develop over night, even though it reached catastrophic proportions in the 1980s. It has a long history which needs to be investigated not only to gain a proper understanding of the current crisis but also to demonstrate the appropriateness or otherwise of SAP as a solution.

The issues raised here are discussed and presented over eight chapters. In the first chapter, we discuss the scale of the crisis which engulfed Sub-Saharan Africa in the 1980s. This for instance, explains the fact that the social dimension of the crisis such as the health situation appears in this chapter and not in chapter two. This is discussed in relation to the changing international economic environment, especially the contribution of the world economic system to this crisis. The manner in which African economies are linked to the world economy especially the economies of Europe, has meant that each time these economies are in recession those of Africa are also thrown into serious crisis. In this respect also, when the European economies adjust to a recession such as was done in the late 1970s and early 1980s, African countries had to adjust in similar direction. This is the link between structural adjustment in Africa and the international economy. This chapter therefore covers the international dimension of the African crisis.

Chapter two looks at the internal dimension of the crisis in Africa. The economic, political and social factors which are largely internal but interacting with external factors to cause the crisis, are identified and analysed. This analysis of the external and internal dimensions of the crisis is not only to demonstrate the scale of the problem, but also to show whether or not orthodox adjustment programmes sufficiently address the problem. This is what informs the discussion of the external factors behind the African crisis such as the debt crisis and the role of multinational corporations, in this chapter and not in chapter one.

The third chapter attempts a detailed analysis of the international politics of structural adjustment. This involves a review of the debate within the international development community; especially the Western position as articulated by the World Bank and the IMF; the African position which has been articulated through the OAU and the ECA; and the studies carried out by other institutions and individuals on the subject. The debate reveals the political complexity of the adjustment process, a complexity which is likely to put the entire process in jeopardy if ignored. All these themes are applied to our two case study countries over the next four chapters. The reform process in Ghana is discussed in chapters four and five. We look at the domestic situation with regard to the causes of the crisis and the political struggles waged by the various groups in the country to influence the direction of structural adjustment. In the fifth chapter, we analyse the impact of the reform programme on the country. The Nigerian case study is presented in the same pattern as that of Ghana, in chapters six and seven. Chapter eight is the conclusion to the study, it draws all the arguements together, draws conclusions and makes recommendations.

Notes and References

1. The debate and issues which these approaches raise are extensively discussed in chapter 3 of this study.

2. See, The World Bank; **Accelerated Development in Sub-Saharan Africa,** 1981.

3. This categorisation has been adopted from Miles Kahler; see his, "Orthodoxy and Its Alternatives: Explaining Approaches to Stabilisation and Adjustment" in Joan M. Nelson(ed); **Economic Crisis And Policy Choice: The Politics of Adjustment in the Third World.** New Jersey (Princeton) 1990, p33-50.

4. See, Giovanni Andrea Cornia, et al; **Adjustment With a Human Face: Protecting the Vulnerable and Promoting Growth,** Vol.1 Oxford (Clarendon Press) 1987.

5. Timothy M. Shaw; "Peripheral Social Formations in the New Division of Labour: African States in the Mid-1980s", in **Journal of Modern African Studies,** 24, 3(1986)p.498.

6. Samir Amin; "The Crisis: The Third World, North-South and East-West", in E. Hansen(ed); **Africa: Perspectives on Peace and Development** 1987, London (Zed) p.31

7. **Ibid** p.29

8. Bretton Woods Mark I refers to the period from 1947 to 1971 when the system of fixed exchange rates and the multilateral management of the world economy under the hegemony of the USA held sway. This was also the height of the cold war when the competition between the East and the West led to increased aid to the Third World. The unprecedented growth of the world economy also induced

significant levels of earnings for the South from commodity exports. However, this era ended first with the announcement of the New Economic Policy by President Nixon in August 1971, and the devaluation of the US dollar in December of that year. The new economic policy disrupted relations among the dominant economic powers, especially by destroying the pillar of the system through the unilateral delinking of gold and the dollar. In 1973, this Bretton Woods Mark I came to an end with the decision taken in March to let exchange rates float. From then on, the Bretton Woods system entered a new phase (Mark II) which was legalised in 1976 at a meeting of the leading IMF members in Kingston, Jamaica. Other features of this system came to include the expanding role of the IMF in the management of the world economy and the emergence of collective leadership by the major economic powers to replace American leadership (a process which resulted in the G-7). Also,the transnationalisation process which was already in evidence in the 1960s had now matured in the late 1970s and became dominant in the 1980s.

9. **Ibid** p.30

10. United Nations; **Financing Africa's Recovery. Report and Recommendations of the Secretary-General's Advisory Group on Financial Flows for Africa. 24 February 1988, p.3.**

Chapter 1.

The African Crisis, the International Economy and Structural Adjustment in the 1980s.

The sudden and drastic deterioration in the international economic environment at the turn of the decade of the 1980s unleashed a development crisis of unprecedented scale on the developing countries of the South. It also rekindled the economic and political conflict between the rich nations of the North and the poor ones in the South, over the control of the international economy and its use to promote development . In the 1970s this conflict centred on the demand by the Third World for a New International Economic Order which would guarantee the development of the South by limiting the power of the North to obstruct it. The North - South dialogue which resulted from this was an attempt to narrow the differences between the North and the South and get them to cooperate to their mutual advantage. However, the crisis which set in at the beginning of the 1980s radically altered the situation.

The situation in the 1980s developed out of an environment in which the first oil price rise of 1973-74 had created financial surpluses for Opec countries and led to a large expansion of the volume of international loans. The situation was helped by the expansion of the Euro-currency markets, the recycling of Opec surpluses and the excess liquidity in the international banking system created by economic recession in industrial countries. The major banks were eager to lend to developing countries, many of whom were experiencing persistent trade imbalances and fiscal deficits. Encouraged by the favourable terms of the loans, especially the very low real rate of interest on these loans, most countries went on a borrowing spree to finance their development.

However, the second oil price rise of 1978-79 and the recession in the industrial economies plunged the world economy into deeper recession and created for the developing countries crises of catastrophic proportions. As a result, global inflation rose sharply as did interest rates;Third World debts soared because of the rise in interest rates. The policies which the industrial countries adopted to fight the recession caused the international trading and financial environment to deteriorate and trigger off the crisis which engulfed the Third World in the 1980s. For instance, the American prime rate and the London Inter Bank Offer Rate, to which floating interest rates were tied, rose significantly. The US Prime rate was 21 per cent by the end of 1980. Consequently, most of these countries experienced severe financial problems because commercial banks stopped lending new money and the result was an international debt crisis . This situation was accompanied by a rapid deterioration of conditions in the developing countries which put the lives of their peoples at risk. Thus, there was a sense of urgency to adopt measures which would reverse the decline and put these countries on the right path to achieve growth.

The global recession raised such questions as; how it should be tackled, who should re-write the rules governing the world market, what direction reform of the world economy as well as of individual economies should take and the extent of burden-sharing. The summit of leaders of the major industrial countries and representative leaders of the Third World, which took place in late 1981 at Cancun, Mexico was the last opportunity for both sides to agree on these issues. In the event, that did not happen. The leading industrial nations which were now run by conservative governments, ideologically committed to the market, made clear their intention to see to the restructuring of the world economy in the direction of the market. Thus, if the recession was a problem which needed to be urgently tackled, it also offered an opportunity to the industrial nations to re-write the rules of the market to protect and maximise their position of advantage and power, in much the same way as the developing countries had sought to change things to their own advantage in the 1970s. The difference of course, was that in the 1970s the West had to pay lip-service to the needs of the developing countries, but in the 1980s, they clearly had no such need. The dominant position of the industrial countries in the world economy guaranteed for them the right to determine the nature of reforms to be undertaken both at the global level and within the crisis-ridden developing countries.

As a result of the hostile international economic climate and the debt crises, the industrial countries imposed orthodox structural adjustment programmes (SAPs) on African and other developing countries. The SAPs were placed under the supervision of the IMF and the World Bank and they required the debtor countries to carry out structural reforms such as trade liberalisation, export orientation, fiscal austerity, devaluation, credit ceilings, interest rate adjustment and other institutional reforms. The proponents of SAP hoped that the reforms would induce development based on the market system and also protect their own economic, political and strategic interests. Thus, SAP is as much a political instrument as it is ecomomic and therefore clearly linked to the international economy and the African crisis. In this chapter, we discuss the scale of the African crisis in the 1980s, its relationship with the international economy and with structural adjustment. We show that the implementation of structural adjustment programmes in Sub-Saharan Africa is politically convenient for the major industrial economies as much as it is politically and economically imperative, for Africa. However, there is disagreement over the form and content of adjustment.

The Scale of the African Crisis in the 1980s

The African continent is currently undergoing a severe crisis of unprecedented proportion in the post-colonial history of the continent. This crisis became very critical in the 1980's and it pervades all areas of life in sub-saharan Africa. This critical condition of African countries is aptly captured by the Khartoum Declaration when it says:

> that the crisis that confronts the African continent is one that affects the total human condition of the continent and its people, men and women alike. It is a crisis that challenges the very survival of the African people .... It is a crisis that threatens to overwhelm Africa, and in *extremis*, to reduce them to the helpless gaze depicted in the starving faces of Africa's children in the international media.(1)

The picture is of a major catastrophe and the statistical evidence is overwhelming . African countries are poorer today than they were at independence in the 1960. Africa has twenty-seven of the World's forty-one poorest nations. A greater majority of Africans have been made absolutely poor in this decade(1980's). Per capita incomes, the GDP, social services such as education, health, etc, have declined and continue to do so. For instance, per capita income for sub-saharan Africa declined by about 3.4% per annum between 1980 - 1986.(2) There is every indication that these trends will continue even into the next decade.(3) Since 1980, several African countries have witnessed increased infant mortality and crude death rates. Most countries in the region cannot feed themselves and this has increased the level of malnutrition.

This trend of decline is also seen in the export performance of Sub-Saharan Africa. As the Advisory Group to the UN Secretary-General on Financial Flows for Africa has correctly observed:

> Sub-saharan Africa is the most commodity-dependent region in the world... Primary commodities play a decisive role in the economic fortunes of all the countries in the region.(4)

This has meant a drastic fall in the levels of export revenue since 1980, because about 90% of all export from Sub-Saharan Africa are primary commodities.(5) Related to this decline in exports has been the most serious problem of the now irreversible fall in the prices of these commodities in the international markets. In 1986, for instance, the export earnings of the region fell by $19 billion that is, about a third of its $64 billion income the previous year. (6) This downward movement of prices has meant that the terms of trade of African countries have continued to deteriorate whether or not "their exports have been concentrated in agricultural commodities, non-fuel minerals, or oil itself..."(7) Even where some countries have tried to increase their exports to off-set the falls in commodity prices, this has not been helped by the depreciating value of the dollar in recent times. The overall picture of African commodity exports can be seen from Table 1.1 The immediate implication of this is that these countries have had their imports drastically reduced. With most of these countries being heavily dependent on imported manufactures, oil and even food, such decline in earning has definitely contributed to the crisis.

Table 1.1 Trends in major commodity exports from sub-Saharan Africa

	Value of exports (Millions of US $)			Regions share of world export of the commodity (%)		Internal prices (1980 = 100)			
						Dollars		Real[a]	
Commodity	1977 1978	1980 1981	1984 1985	1980 1981	1984 1985	1985	1986	1985	1986
Crude Petroleum	11929	25540	19352	8.4	11.0	90.8	46.2	105.5	44.5
Coffee	3127	2571	2452	25.2	21.8	81.7	100.0	94.8	96.2
Cocoa	2030	1791	1534	70.8	61.2	86.6	79.5	100.5	76.4
Copper	1188	1914	1033	21.0	15.3	64.9	62.9	75.4	60.5
Timber	642	1052	777	6.3	5.3	69.1	88.1	80.1	84.7
Cotton	632	625	724	7.5	9.5	75.3	58.3	87.4	56.0
Iron Ore	317	474	492	10.6	12.0	85.0	82.4	98.7	79.2
Tea	292	278	199	18.1	26.4	74.4	74.3	88.8	71.5
Sugar	367	574	400	4.2	7.0	14.1	21.0	16.4	20.2
Bauxite	90	318	413	31.9	48.9	76.5	86.9	88.8	83.6
Tobacco	282	402	375	11.0	10.7	87.0	..	101.0	..
Natural rubber	138	169	170	3.2	4.2	56.9	78.2	66.1	56.0
Hides and skins	96	138	181	7.4	6.6	87.5	75.9	101.6	73.0
Manganese ore	130	140	129	64.2	73.2	88.2	78.6	102.4	75.6
Groundnut oil	174	76	124	25.5	43.4	110.0	66.3	127.8	63.7
Zinc	89	48	41	2.0	1.4	102.9	99.1	119.5	95.3
Groundnut	126	92	34	12.8	7.8	95.2	60.4	110.5	58.1

Adapted from United Nations; **Financing Afriac's Recovery:** Re-port of the Secertary-General Advisory Group on Finacial Flows for Africa, 1988 P9

a Dollar price deflated by United Nations index of unit value of manufactured exports of industrialised countries.

Another factor which has farther complicated the situation for Sub-Saharan African countries is the decline in all other capital flows in the 1980s. A majority of states in the region are heavily dependent on external capital flows for financing their development programmes. The decline in this important source of capital has added more pressure on these desperate countries. Foreign direct investment, for instance, is reported to have fallen from $1.5 billion in 1981 to $400 million annually since 1984. Official flows on non-concessional terms also fell significantly as can be seen from Table 1.2. And even though the IMF is supposed to be the lender of last resort, the decade of the 1980s has seen the IMF become a net recepient of resources from Sub-Saharan Africa. This unusual activity of the IMF in Sub-Saharan Africa is demonstrated in Table 1.3.

The African crisis is not only an economic crisis as has been presented above. It is fundamentally, a crisis of underdevelopment,(9) which means it is basically structural and historical. And even though underdevelopment is mainly an economic phenomenon, the crisis facing Africa today manifests itself in serious social and political problems as well. The social situation in Africa deteriorated considerably in the 1980s. This was manifested in sharp declines in living standards, incomes, employment levels, health, nutritional and educational standards. Poverty became widespread, covering both urban and rural areas and affecting between 50 and 70 per cent of the population by 1987 - 88. Many people were unable

Table 1.2

THE IMF, THE WOR LD BANK AND EXTERNAL TRANSFERS TO AFRICA, SOUTH OF THE SAHARA, 1980-90

($US millions)

	1980	1983	1984	1985	1986	1987	1988	1989	1990
IMF									
Gross disburse-ments*	1217	1618	952	738	735	678	1033	865	733
Repayments and-interest**	487	739	993	1172	1689	1541	1495	1593	1265
Net transfer	730	879	-41	-434	-954	-863	-462	-728	-562
IDA									
Disbursements	424	637	778	881	1400	1681	1697	1700	-
Repayments and interest	21	44	56	79	94	111	128	126	-
Net transfer	403	593	722	802	1306	1570	1569	1574	-
IBRD									
Disbursements	400	708	832	647	898	998	581	835	-
Repayments and interest	328	438	527	616	865	1073	1306	1226	-
Net transfer	72	270	305	31	33	-75	-725	-391	-
IMF/IDA/IBRD									
Total Net Transfers	1205	1742	986	399	385	632	382	455	-
Other Net Transfers (Long-term Debt):									
Multiateral**	707	664	442	487	650	709	672	607	-
Bilateral***	1657	2295	1925	472	1210	1194	630	945	480
Private	2818	270	-1667	-2648	-1132	-213	-434	-428	-1818
Total Long Term-Debt Related-Transfers	5657	4092	1727	-856	2067	3185	1712	2307	657
Grants***	3057	2844	3422	4514	4823	5030	6567	6570	-
Direct Foreign Investment	20	882	494	1059	460	1167	687	2301	-
TOTAL NET TRANSFERS	6573	7485	4419	2779	5209	6763	7511	8692	-

*Purchases
**Repurschases and charges, Publicly guaranteed,and unguaranteed, excluding direct foreign investment , (+projected) ++Excluding Grnts
+++Excluding technical assistance

Source: Derived from **World Bank, World Debt Tables, 1990-91**, pp.130-133.; quoted in G.K. Helleiner, "External Resource Flows to sub-Saharan Africa in the 1990s", June 1991 p.4.

Table 1.3

NET FLOW OF IMF lending to sub-Saharan Africa, 1980-1987
Billions of dollars)

	1980	1981	1982	1983	1984	1985	1986	1987
Flows identified in detail Regular								
Credit tranches	261	525	494	819	626	311	92	332
Extended facility	211	920	126	168	-11	-44	-234	-158
Special facilities								
Trust Fund	384	5	-1	-14	-61	-106	-181	-176
Structural Adjustment (SAF)	-	-	-	-	-	-	63	292
Compensatory Financing	-19	323	175	340	-95	-150	-195	-172
Buffer stock Financing	-	-	1	6	2	-8	-	4
Oil facility	-118	-105	-60	-10	-	-	-	-
Total identified net flow	720	1668	736	1309	461	3	454	546
Other net use of Fund credit	4	8	12	1	5	3	8	17
Total net flow	715	1660	748	1308	456	-	446	529
Memorandum item:								
Net financial transfer	627	1513	461	983	58	426	895	894

Source: IMF Iternational Financial Statistics and data supplied by IMF and World Bank. (Flows calulated in SDRs were converted to dollars at yearly average exchange rates) In Report of the UW...P 12
including flows to countries for which a breakdown by facility of the use of Fund credit is not supplied.
Total purcases minus repurchases and Fund charges.

even to meet their basic food needs because of the drastic fall in incomes, as the region's per capita incomes fell at an annual rate of 3.4 percent between 1980 and 1986.(10). Wages were unable to guarantee basic needs in food and services and there was a fall in employment levels.

The 1980s witnessed significant declines in employment due to reduction in development investment, employment freezes and massive retrenchments. Thus, the African region was reported to have lost an estimated 1.5 million permanent jobs per year between 1985 and 1987. Also in 1985, 22 million people were estimated to be unemployed and the number of underemployed was put at 95 million. The level of youth unemployment was even worse, at between 65 and 75 percent in 1987. Associated with this was the high level of graduate unemployment, put at 4 to 5 million in 1987.

Another dimension of the social crisis was the poor state of health, nutrition, housing and education. This was an area which was properly funded in the 1970s but was now subjected to severe budget cuts. The result for the region as a whole was disasterous, for instance, the share of health and education in government expenditure fell from 25.2 percent in 1986 to 23.1 percent in 1987. This was further reflected in low life expectancy, high infant mortality, malnutrition and the prevalence of preventable diseases. The health situation deteriorated so much that there were epidemics of diseases like cholera, yellow fever, etc.,in about 32 African countries.

Another serious health problem which affected many African countries in the 1980s is the Aids epidemic. Even though African leaders considered it a political embarrassment to admit to its existence, aids is now a serious problem for many countries in the region. In countries such as Uganda, Zimbabwe and Cote d' Ivoire,to mention only a few, the spread of the disease has grabbed international headlines and attention. In education, the achievements of the 1970s in expanding opportunities were being reversed, with the annual growth in school enrolment falling from 8.1 per cent in 1970 - 1980 to 3.9 percent in 1980 -1987.

The incidence of crime, violence and other forms of social tension such as communal and religious conflicts, increased in many African countries. The level of political tension also increased as the vocal urban population, workers and university students confronted the governments over the deteriorating situations in their countries. The struggle to protect their jobs or stop the declines in the health and education sectors often took the form of strikes and demonstrations against the governments for adopting the stabilisation measures which were eroding their living standards. Consequently, governments were forced to battle for legitimacy and to maintain political stability. This has made the threat of social and political instability very real in Africa today. Political turmoil and instability arising from the growing inequalities occasioned by this crisis have become widespread.

Another factor which has contributed to the emergence of the African crisis in the 1980s is the prolonged global capitalist crisis or recession since 1979. It is important to note that Africa's relationship with the capitalist centre of the world economic system is one of vulnerability at the best of times. Adverse economic developments in these countries have therefore deepened the African economic crisis. This situation in which Africa's fortunes are tied up with that of Western Europe and North America has made it easier for the latter to pass on the burden of their recession to Africa, as in the spread of a virus so that when the West sneezes, Africa catches a cold. This was clearly demonstrated by the effect of the rise in interest rates in the West on Africa.

For instance, when the developed countries decided in the late 1970s that the basic issue was the control of inflation, they introduced recessionary macroeconomic policies which were based primarily on monetary policy instruments. As a result, this slowed down economic activity in the industrialised world and inturn depressed international prices for commodities by reducing demand. Also, the unprecedented rise in interest rates pushed up the cost of debt servicing and further depressed commodity prices by raising the cost of stock-holding. Thus, the cost of structural reforms and the control of inflation in the industrialised West was borne by the developing countries. This is partly how the development of

Europe is said to deepen the crisis of underdevelopment in Africa.

One of the major impacts of this prolonged recession on these advanced capitalist countries is the decline they began to witness when their rate of GDP growth per capita fell to 1.6 per cent between 1981 and 1985 from around 3 per cent per year between 1976 and 1980.(11) The response of the OECD countries to this recession also helped to exacerbate the African crisis. Some of the measures taken tended to pass on the burden of the recession to the Third World countries. A familiar feature of the trade policies of these countries is the erection of protectionist walls against foreign imports, mostly from developing and poor countries such as those in Africa. This new protectionism which took the form of Voluntary Export Restraints (VERs), Orderly Marketing Arrangements (OMAs), the Muti-Fibre Arrangment (MFA) and similar restrictions compounded the difficulties which developing countries had in responding to the changing external environment. The exports affected by these measures included processed tropical and agricultural products, textiles, steel, petrochemicals, automotive parts and electronics. Even the most efficient producers among the developing countries were prevented entry into the OECD market (Table 1.4).This has tended to create the all-familiar situation of glut in the supply of Third World commodities on the world market. Prices have fallen drastically as a result. Virtually all commodities on which most of these countries

Table 1.4

Developed Country Tariff Rates on Selected Commodities

	Product	European Economic Community	Japan	United States
Coffee				
	Green roasted	5.0	0.0	0.0
	Coffee extracts	18.0	17.5	0.0
Cocoa				
	Cocoa beans	3.0	0.0	0.0
	Powder and butter	12.2	4.9	0.3
	Chocolate	27.0	27.4	6.5
Cotton				
	Raw cotton	0.0	0.0	1.9
	Cotton yarn	6.0	3.6	6.8
	Cotton fabrics	10.0	5.9	7.4
	Cotton clothing	13.7	13.2	8.8
Sisal				
	Fibers	0.0	0.0	0.1
	Cordage	11.7	7.7	2.3
Iron				
	Iron ore	0.0	0.0	0.0
	Pig iron	2.2	4.3	1.5
	Steel ingots	5.7	5.0	2.5
	Mill products	4.9	5.2	4.4
	Special steels	5.3	4.9	3.2
Copper				
	Copper ore	0.0	0.0	0.0
	Unwrought copper	0.0	4.8	1.0
	Wrought copper	6.0	6.8	2.6
Manganese				
	Manganese ore	0.0	0.0	0.0
	Ferro-manganese	2.0	4.8	1.7
Aluminum				
	Bauxite	0.0	0.0	0.0
	Alumina	5.7	4.9	0.0
	Unwrought aluminum	5.8	8.5	0.0
	Wrought aluminum	9.7	11.7	2.9
Wood				
	Rough wood	0.0	0.0	0.0
	Plywood	2.8	4.6	6.3
	Wood manufactures	5.1	4.1	5.3
Paper				
	Wood pulp	0.0	0.0	0.0
	Paper perparations	0.0	2.1	0.0
	Paper products	9.4	4.6	3.5
Rubber				
	Natural rubber	0.0	0.0	0.0
	Rubber products	5.3	4.8	5.3
Leather				
	Hides and skins	0.0	0.0	0.0
	Leather	3.9	6.2	3.7
	Leather goods	11.7	11.0	14.4
Tobacco				
	Unmanufactured	0.0	55.0	18.0
	Manufactured	54.5	16.8	12.1

a. SITC 841.1-Textile clothing, not knit.

Source: The World Bank; Accelerated Development in Sub-Saharan Africa, 1981, p158.

depend for their external earnings have suffered this fate recently.

Another strategy has been to adopt economic measures which are contractionary.This involves raising interest rates and even running huge budget deficits as is the case with the United States. Also, in the case of the United States, not only has she maintained high defence expenditures, high interest rates and huge budget deficits, she has also deliberately allowed the value of the dollar to fall and remain weak in relation to other major currencies. The Third World countries have had to pay for this through reduced export earnings and rise in their foreign debts. The situation is such that the poor countries are paying for the recovery in the advanced capitalist countries through the export of capital.(12)

A further complicating factor in the African crisis is the attitude of conservative governments in the United States, Britain and West Germany to the economic crisis of Third World countries generally. These countries have insisted that the crisis in the Third World be solved only through the recovery of the OECD economies and the impostion of monetarist and neoclassical solutions. Their scheme has reduced the flow of concessional resources to these poor countries to aid their recovery. This attitude would seem to have influenced the level of Official Development Assistance in the 1980s (Table

1.5). This level of assistance was far below the needs of these countries both individually and as a group. The Wass Committee, for instance, made a conservative estimate of the need of the region for help "to be $5 billion a year over and above what, in the middle of 1987 when we began our work, they were expected to receive in the rest of the decade."13

These factors combined to deepen the African crisis. This is represented by what is now known as the African debt crisis. The debt problem in Africa is represented by the accummulation of huge loans and interest payments falling into arrears which cannot be repaid. This African debt, accummulated mainly since 1974 was estimated to be a staggering $200 billion in 1986,(14) and $218 billion by the end of 1987.(15) When compared with the debts of some Latin American countries like Brazil, Mexico and Argentina, the African debt may look rather small. But when we take into account the fact that a majority of African states are the poorest in the world, the magnitude of this debt crisis is then better appreciated. It can also be seen from the number of countries in the region that are constantly visiting the Paris or London Clubs to have their debts rescheduled. "In 1986 alone, of the 18 developing countries that renegotiated for debts rescheduling at the Paris Club, 13 were African countries..." (16)

Another way of assessing the magnitude of the debt crisis is, in relation to the value of exports or GDP. It is

Table 1.5

NET DISBURSEMENTS OF ODA FROM ALL SOURCES, BY INCOME GROUP, TO COUNTRIES IN SUB-SAHARAN AFRICA 1980,1985-89

$million at 1988 prices and exhange rates

Countries	1980	1985	1986	1987	1988	1989
Lics of which:						
Ethiopia................	382	1,289	975	785	1,022	709
Tanzania................	966	770	854	956	982	927
Mozambique..............	248	563	706	808	872	766
Sudan...................	919	1,737	1,176	973	937	767
Kenya...................	563	670	572	615	809	976
Zaire...................	607	491	560	674	576	643
Senegal.................	381	455	697	688	572	658
Zambia..................	451	507	574	461	492	391
Ghana...................	272	305	454	396	469	549
Somalia.................	628	542	633	634	441	444
Mali....................	401	599	468	398	429	475
Niger...................	243	483	381	398	373	299
Malawi..................	203	172	245	301	366	398
Uganda..................	161	283	245	299	364	401
Madasgascar.............	370	300	404	367	324	323
Burkina Faso............	309	301	356	313	298	287
Zimbabwe................	233	376	291	321	279	269
Guinea..................	90	177	226	240	278	350
Chad....................	49	277	204	213	264	241
Rwanda..................	221	283	260	263	252	241
Togo....................	131	177	218	137	199	184
Central African Rep.....	157	167	173	190	197	191
Mauritania..............	257	320	323	236	195	197
Burundi.................	185	214	229	224	188	200
Benin...................	133	146	178	152	164	249
Botswana................	150	151	128	167	151	164
Nigeria.................	50	49	73	74	120	342
Lesotho.................	134	144	109	117	108	119
Sierra Leone............	132	115	114	73	102	100
Guinea-Bissau...........	112	90	91	116	99	103
Djibouti................	104	124	142	113	93	80
Cape Verde..............	92	114	138	94	88	77
Gambia..................	83	76	125	105	82	95
Liberia.................	139	145	121	84	69	59
Comoros.................	61	73	57	58	53	44
Equatorial Guinea.......	13	31	33	49	45	42
Myotte..................	32	32	35	42	43	44
Swaziland...............	71	39	43	49	38	29
St.Helena...............	13	19	17	22	27	48
Sao Tome & Principe.....	8	20	21	18	24	31
Total...................	9,753	12,824	12646	12214	12586	12514

.....continued

NET DISBURSSEMENTS OF ODA FROM ALL SOURCES, BY INCOME GROUP

.....continued

$ million at 1988 prices and exchange rates

Countries	1980	1985	1986	1987	1988	1989
LMCs of which						
Cote d'Ivoire....	298	190	230	274	439	13
Cameroon.........	376	242	278	229	284	474
Angola...........	77	148	178	167	168	141
Congo............	128	94	125	152	90	92
Namibia..........	0	9	19	18	23	45
Total............	879	683	831	840	1,004	1,165
UMICs of which:						
Reunion..........	702	584	624	616	608	707
Gabon............	82	96	103	90	106	133
Mauritius........	47	49	79	74	60	58
Seychelles.......	31	36	41	29	23	20
Total............	862	765	847	810	797	920
UNALLOCATED.......	276	734	486	552	646	726
OVERALL TOTAL.....	11,7771	15,007	14,811	14,416	15,035	15,325

Source: DAC, 1990, p. 230, quoted in G.K. Helleiner; " External Resource Flows to sub-Saharan Africa in the 1990s", June 1991, p.12

estimated that as a proportion of the value of exports, Africa's external debts as a whole rose from 85.3 percent in 1975 to 167 percent in 1982 and further to 223.5 percent in 1984. Also in 1984, the debt service ratio stood at 22.3 percent.(17) The escalating debt crisis has considerably worsened the balance of payments problems of Sub-Saharan Africa. They are finding it impossible to meet their external obligations let alone import the critically needed capital goods and spare parts to keep their industries running and promote development. Many of the countries in the region are therefore fighting for survival. As the leaders of the OAU put it:

> In the majority of our countries, the question is not that of a liquidity crisis but of solvency ... The escalating debt burden has progressively grown from bad to worse, to a point where the magnitude of the debt and debt-service obligation have threatened the very foundation of our economies.(18)

From the period of the second oil shock in 1979 and the subsquent global recession, the question of how to resolve the economic crisis in the Third World became prominent on the agenda of international relations. It was undoubtedly conducted within the context of the North-South divide, with the South calling on the North to provide the resources for Southern recovery and the North urging the South to instead tighten its belt and reorder its own house. The failure of these poor countries to get needed Northern support to tackle their economic crisis led African countries to adopt their strategy of crisis management. This came in 1980 in the form of the **Lagos Plan of Action** which laid out a programme of economic development for Africa during the last two decades of the 20th century. As a clear sign of frustration and disappointment with Northern attitudes over the crisis and the wider issue of changing the global economic system, the **Lagos Plan of Action** deliberately adopted the strategy of self-reliance as a solution to the crisis facing the continent. It was to involve:

1. The use of Africa's vast resources to meet the aspirations of the people
2. A change from total reliance on export of a few raw materials to a growth path based on a combination of natural resources, entrepreneurial, managerial,and technical resources,and the restruc turing and expansion of the domestic market
3. The mobilisation of Africa's human and material resources for industrial development the outside contributions being only supplementary to domestic efforts, and
4. The promotion of African economic integration in order to create a continent-wide frame-work for economic cooperation for development based on collective self-reliance.(19)

On the other hand, the advanced capitalist countries favoured the strategy recommended by the World Bank's **Accelerated Development in Sub-saharan Africa: An Agenda for Action.**This and other subsequent Bank publications advocated the strategy of orthodox structural adjustment for African countries. (20) It was essentially committed to making African countries adopt short to medium term structural reforms to resolve their crisis. These reform measures included the restraint of public and private demand; aligning the use of resources with available internal and external resources ; flexible exchange rate arrangements; increases in real interest

rates; incentives for export expansion; rationalisation of public sector investment programmes; tighter revenue collection; privatisation of state enterprises; removal of subsidies; liberalisation of external and internal trade including the deregulation of prices of agricultural products, etc. (21)
It was also aimed at promoting greater reliance on market mechanisms and fuller integration of these countries into the new international economy, which is itself being increasingly run by market forces. Since then, it is this strategy of strutural adjustment which has won the contest, being the instrument of the most powerful group of states in the international system . The imposition of orthodox structural adjustment programmes is therefore a reflection of the global distribution of power and the determination by the powerful western nations to ensure the dominance of the market in the world economy.

Since the pubilication of the Accelerated Development in Sub-saharan Africa, the World Bank and the IMF have jointly and severally supervised the implementation of structural adustment programmes (SAP) in Sub-Saharan Africa. At the end of 1987, about 30 Sub-Saharan countries were implementing structural adjustment programmes or were expected to resume them with the Bank, the Fund or both.(22) However, the evidence so far seems to indicate that the economic crisis has deepened since SAP was adopted by these countries.(23) Part of the explanation is that the African crisis and SAP are closely linked to the nature and operation of the capitalist world economy today. Therefore, to properly grasp the logic, dynamic and the impact of SAP in Africa, it is necessary to look at the international economy and the contradictions it generates.

The International Economy And The African Crisis.

The international economy has always operated to the disadvantage of African economies because of the terms on which these economies were incorporated into this economic system. The incorporation of Africa at the periphery of this economy ensured that the centre's development created underdevelopment for the periphery. Through the relations of unequal exchange and expropriation of surplus value, the periphery was constantly drained of its economic surplus which could have been used to promote development. In this sense, the global economy has been a source of crisis for African countries. (24)

The post-war global economic system, or what some have refered to as Bretton Woods Mark I(25) did not alter the colonial relations of unequal exchange with Africa. It also continued with the international division of labour imposed on the world during the colonial period in which Africa assumed the role of primary commodity producer as well as residual market for manufactured goods from the industrialised countries. It set up a financial system based on fixed stable exchange rates among the major currencies with the dollar as the new international currency. Also, an international trade regime for manufactures based on the principle of economic liberalism was established. However, the interests of the developing countries were ignored at Bretton Woods and their position has since been subordinated in the system and perpetuated by the decision-making structures of the Bretton Woods institutions. Thus, the trade regime excluded the products which were most important to developing countries, especially agricultural products. Therefore, while the fortunes of manufactured products soared, the prices of raw materials remained cheap. The countries which produced manufactured goods prospered and those which produced only raw materials became poorer, but a division of labour thus emerged.

Within this arrangement, Africa assumed a measure of importance as a major supplier of raw materials for Northern industries. Coupled with the expansion of the global economy, this measure of importance was demonstrated by the nature of response given by the industrial countries to the economic problems of African states. This ranged from aid to investment in extractive industries as a strategy of promoting economic development. Other measures included the creation of price stabilisation, compensatory finances, and other schemes to help these countries during the periods of low commodity prices and declining terms of trade. Foreign loans were also used to aid this process.

On their part, African and Third World countries demonstrated this notion of their importance to the industrial survival of Northern countries through their vociferous demands for higher prices and reform of the international economic system. The decade of the 1970's witnessed a rising tide of economic nationalism in these countries,witness the rise of commodity cartels to protect the prices of their raw materials. Also within this period, they used every international forum, especially the United Nations system, to demand a New International economic order.Such was the optimism among these countries about their importance to Northern industrial countries until the global economy began to experience serious economic crisis in the late 1970s.

These economic shocks have brought in their wake, major structural changes in the world economy,the end of the Bretton Woods era,(26) and the emergence of a resurgent Bretton Woods Mark II(27),or the New International Division of Labour.(28) The new system is represented by the internationalisation of the production process,a situation which was much in evidence in the 1960s but had matured in the 1970s. Production is therefore no longer a national process. This could mean the relocation of entire industries from industrialised to developing countries, especially those requiring cheap unskilled and semi-skilled labour. (29) Also, international investment is now more dominant than international trade. (30) And most of this investment is today carried out within the developed countries and some Newly Industrialised Countries as is the case

> "With U.S and other Western investment in Japan, Taiwan and South Korea plus Pacific investment in the US and EEC. Despite the protectionist rhetoric, the longterm trend is towards increased inter-OECD investment". (31)

Other features of the new division of labour which are also interrelated include:

> free and fluctuating exchange rates along with indigenisation and nationalisation have encouraged portfolio rather than direct foreign investment; unstable and increasing costs of petroleum have encouraged the development of alternative sources of fuels to oil and gas; new technologies have led to an expanding global service sector and a decreasing emphasis on colonial-type commodity production. (32)

Africa's position in relation to this new division of labour is, again, one of extreme disadvantage. Not only is it denying the continent the inflow of resources needed for development, Africa is being fully integrated into the system in a subordinate manner. And in view of Africa's current crisis situation,

> It would thus be inappropriate to expect other than a a marginal incorporation of Africa into the international division of labour as a provider of raw materials - nor, it should be added, are Africa's resources likely to be used for its own economic development in any significant quantities over the foreseeable future. (34)

However, for the two Bretton Woods institutions, (the IMF and World Bank), this structural trasformation of the world economy has also meant a shift in their function. As Harris has argued:

> With this change and the accomplishment of convertibility for the major currencies, the IMF'S role since 1971 has been different. It has become almost exclusively

> concerned with balance of payments credit to Third world countries and, through conditionality, with the re-orientation of their economic policies as a whole. At the same time, the World Bank has shifted from project finance to Structural Adjustment loans which relate to restructuring the Third World countries' economies on a broad scale.(35)

The change from Bretton Woods Mark II has not affected the fact that the IMF, the World Bank and the new system are still subject to US pressure and influence and committed to free trade and movement of capital. The Fund and Bank therefore help to create, regulate and support a "World System where Multinational Corporatons,trade and capital move without restrictions from national states." (36). These institutions are therefore said to be serving the interests of international capital by helping to consolidate its power over poor nations.In relation to Africa,while this crisis unfolded in the 1980s, these two institutions have made the continent a central concern as can be seen from the various financing facilities that have been put in place since 1979. This also raises the issue of the connection between the African crisis, the international division of labour and the Structural Adjustment programmes being implemented in Sub-Saharan Africa under the supervision of the IMF and the World Bank.

Structural Adjustment and the International Division of Labour

From the foregoing, it is argued that structural adjustment as it is being implemented in Africa aims to redefine the role of these countries in the international division of labour. It is a process of realigning the economies of these countries to meet the needs of a post-industrial world economy. This research therefore deals with the logic as well as the contradictions of structural adjustment in Sub-Saharan Africa within the context of the emerging international division of labour. In doing this, certain questions must be addressed to grasp what structural adjustment has in store for African countries. What are the implications of structural adjustment (even with growth) for African development? Who gains from structural adjustment? To what are these economies being adjusted? What is the actual impact of structural adjustment on African economies? What are the implications of the involvement of the IMF and the World Bank with structural adjustment for national independence? The marginal role reserved for Africa in the new international division of labour clearly suggests that SAP may not aid the development of Africa. It may only consolidate this new relationship between Africa and internatioanal capital now operating as a consortium.(37)

The success of the realignment of Africa's role is determined by the price that the continent may be expected to pay through the costs of structural adjustment. The human condition should therefore be one of the major determinants of the success of structural adjustment since the human being is the focus of development. A major obstacle to the attainment of development in Africa has been the poor quality of her human resources. It is impossible to generate development with a population that is unskilled and untrained, unhealthy, and poor. Therefore, to be adjudged as a success, structural adjustment has to cause significant improvements in the living conditions of the people, their health, education, incomes, and the like. It is only then that they are equiped to play a significant part in the development process.

The logic of SAP is underlined by an interplay of factors: political, economic and strategic objectives are built into it. In this context,SAP may be seen to aim at maintaining American hegemony and the dominance of the industrialised capitalist countries by preserving the international financial system on which this is based. To do this, the political leadership and hegemony of the United States or indeed that of the West in general has to be preserved. Thus during the eight years of the Reagan administration, this objective was pursued on a two-track basis:on one track, the US acted to restore its leadership position over even her allies, and on the other, there was pursuit of collective western hegemony under the G-7.

It was done through the Reagan administration's obsession with restoring America's respect and power in the world. The Reagan years in the White House were therefore marked by growing belligerant and cold war rhetoric in the west with the support of conservative governments in Britain and West

Germany. The 'Atlanticist' tendency implied the subordination of North-South relations and intra-west relations to East-West relations. The new offensive against the East helped to conceal the new war on the South in the process of re-establishing American hegemony.(38) This aggressive policy of re-establishing its hegemony was influenced by the decline in this American hegemony in the 1970s as Susan George has argued.(39) A catalogue of events can be cited to indicate this decline in American hegemony. It began with the defeat in Vietnam,and continued with the emergence of Marxist-Leninist regimes in Mozambique and Angola in 1975.

In the case of Angola, the military involvement of the United States did not stop the establishment of a regime it desparately wanted to prevent. There was also the humiliating experience in Iran after American embassy staff in Teheran were held hostage between 1979 and 1981. A military action to release the hostages ended in a fiasco. There was what could certainly be seen as communist expansionism by the Soviet Union into Afghanistan in 1979 and also Nicaragua. The inability (as it was seen by right- wing politicians in the United States) to prevent this expansion of Soviet hegemony gave the impression of weakness and decline on the part of the United States.

The challenge to American hegemony was visible on the economic front. The 1970s was certainly the decade of the demand for a New International Economic Order. The Third World became very vocal about this, all in an attempt to alter the global balance of economic and political forces in their favour. In the 1980s, the preoccupation has been about South-South cooperation which seemed to pose a threat to the hegemony of the United States. Even within the OECD, there have been serious disagreements. The disagreement over the Soviet gas pipeline to Western Europe as well as the whole issue of economic relations with the East, is just one in a series of economic wars between Europe and the United States. The global crisis provided the opportunity for these issues to be resolved by preserving a world economic system which not only takes into account the transnationalization of production but also preserves American / Western hegemony.

Others have asserted, that this necessitated the launching of an offensive against the Third World, to bring them into line with the new division of labour. It is here, critics insist, that structural adjustment assumes its significance, as an offensive, a strategy for recolonization,(40) a Financial Low Intensity Conflict (FLIC) (41) against Africa and the third world.The objective of this offensive is aptly put by Susan George that:

> FLIC does however, help to prevent the Third World from dictating its terms from challenging the political balance of forces in the world. When creditor nations and institutions wage FLIC, they are not engaged in a 'linear activity' comparable with traditional war in which debts are contracted, mature and are paid off. They are, rather carrying out a process without any forseeable end, one that allows the North to keep a check

> upon any pretensions to real independence on the part of the South and to ensure privileged access to the Souths resources, and to its industrial capacity, on the cheapest possible terms.(42)

The use of the IMF and the World Bank as the instruments of structural adjustment in Africa is seen as a logical step in this recolonisation or compradorization process of SAP. The role of those institutions as instruments of the expansion and preservation of global capitalism as well as American / Western hegemony is evidenced by the way in which they have been used since the early 1980s to impose SAPs on indebted countries by making them the only source of finance. But they are presented as neutral, politically and ideologically by the western powers and major shareholders who are quick to emphasise the economic nature of their activities. The IMF, it is asserted, is noted for disregarding the sovereignty of third world countries. Its activities in the Third World by way of the conditionalities and performance criteria it dictates to these countries is often seen as an attack on their independence. Its perceived role as debt collector or the International Ministry of Finance has won it the hatred of the peoples of the Third World and even some of its leaders. Former President Julius Nyerere of Tanzania was compelled to castigate the IMF in these very strong terms:

> I do not know whether there are now people who honestly believe that the IMF is politically or ideologically neutral. It has an ideology of economic and social development which it is trying to impose on poor countries irrespective of their clearly stated policies. And when we reject the IMF conditions we hear threatening whispers ... without accepting our conditions you will not get our money and will get no other money. Indeed , we

> have already had hints from some quarters that money or credit will not be made available to us until we have reached an understanding with the IMF. When did the IMF become an International Ministry of Finance? When did nations agree to surrender to it the power of decision-making? It is this growing power of the IMF and the irresponsible and arrogant way in which it is being wielded against the poor that forced me to make these (unusual) remarks. The problems of my country and other Third World countries are grave enough without the political interference of IMF officials. If they cannot help, at the very least they should stop meddling.(44)

This role of the IMF and World Bank as instruments of the imperialist recolonisation of Africa is said to be demonstrated by the policies which they have imposed on Africa under Structural Adjustment Programme. The main features of SAP include currency devaluation,removal of subsidies, cuts in public expenditures,liberalisation of foreign trade, encouragement of commodity exports, increase in domestic interest rates and restraint in monetary expansion. There is also deregulation in internal markets, privatisation of public enterprises and increase in producer prices for farmers. Also, the power of the IMF and World Bank over these countries is derived from operating on a country-by-country basis and conditionalities and cross-conditionalities imposed under SAP. Therefore, adjustment here means reorienting African economies towards the market system of production such that they can be fully integrated into the world economy on terms laid down by the West. SAP aims to integrate them into the new division of labour of the capitalist world economy, but whatever the intention, this will leave them in a marginal role.

For African countries, this conflict of interest between them and the western powers on the direction of structural adjustment had serious implications for recovery and growth in the region. The marginal position of Africa in the world economy recommends a different approach to these problems than the one set out by the IMF and the World Bank. This is because even though all these changes in the world economy have affected all developing countries, it is the African countries which have fared worse. In this respect, even though these reform programmes are ordinarily suitable, Africa has unique problems and is different from other developing areas. This lends Africa to a different treatment and it should therefore, not be subjected to the same reform conditions as the others. This difference is reflected in factors internal to Africa, which have helped to cause underdevelopment and pose a major obstacle to recovery and development. These factors are peculiar to Africa and any attempts to solve the crisis must involve a clear understanding of how they combine to perpetrate underdevelopment. This is the task we undertake in chapter two.

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Chapter 2

A Profile of the African Crisis

The analysis of the African crisis has often been beset by serious disagreements between two opposing perspectives: the liberal-neoclassical perspective and the structuralist. While the neoclassical perspective explains the causes of the African crisis by emphasising factors that are internal,such as excessive government intervention in the economy, mismanagement,inefficiency, weak private sector, etc. The structuralist position is largely the opposite, because it lays more emphasis on external factors such as the structures of unequal relationships,exchange,exploitation,etc,as the causes of the crisis. This disagreement has often also led to different strategies being put forward as solutions to the crisis which engulfed Africa in the 1980s. An example of this situation is the IMF/World Bank strategy of structural adjustment which lays greater emphasis on internal reforms, and the African position as contained in the **Lagos Plan of Action** for example, which emphasises the need for external reforms as well.

However,the position which we take here is that this disagreement need not be there because,to fully understand the African crisis,the internal and external dimensions should be seen as two sides of the same coin. That is,while it is inconceivable to explain the African crisis without addressing the external dimension,it is incomplete to do so without looking at the internal weaknesses as well. We also take the position that it is the kind of dialectical relationship which has existed between the two historically,that has perpetuated the crisis. This relationship was constructed and maintained around the principle of comparative advantage between Europe and Africa. It was a relationship which imposed product specialisation on Africa in which it was left to produce raw materials for European industries,and exchanged these with European manufactures. This was the beginning of an unequal relationship which was essentially put in place through the European colonisation of Africa.

Also,this historical development led to the integration of Africa into the capitalist world economy on very unfavourable terms. For,being the weaker party in this relationship,Africa was bound to lose because comparative advantage on this basis has been proven to be harmful to weak economies.(1) It stifles any attempts at industrialisation and national development generally. Indeed, free trade based on comparative advantage has always been favoured by the powerful countries who stand most to gain. This was the position(of power) of the United

States in particular,and the western countries in general,when they based the post-war world economy on free trade principles. The system enables the powerful countries to manipulate the world economy to their advantage.

It is in this sense that the African crisis has been defined as a crisis of underdevelopment because it reflects this relationship and is also linked to the problems which have afflicted the world economy in its current state of crisis and transformation. And all the constituent parts of the global economy are affected by this crisis and the restructuring (especially of accummulation) it has brought about at the global level. However,the constituent parts of the world economy are unequally affected by the generalised crisis, since this is dependent on the degree of their integration into the capitalist world economy. Thus, those in a strong position tend to manage better than countries in a weak position in the world economy. The industrialised capitalist countries have been able to absorb the shocks of the global crisis because of their dominant position which enables them to survive sometimes by exporting their troubles to the periphery.

This is not to be understood as a conspiracy by the industrialised capitalist countries to hurt African economies. The point is that because of the importance of the economic links between the major industrial economies and Africa for her development, the manner in which the western economies have responded to any crisis has affected Africa directly. For instance, because the western economies are the main consumers of Africa's raw materials as well as sources of aid and other services, their policies in times of crisis are often enough to cushion them against such problems but they cause even more damage to African economies. The decision to reduce the consumption of raw materials often means a loss of much needed foreign earnings for Africa. Also, the decision to raise interest rates in order to control inflation in the developed countries often increases the charges which African countries have to pay for services such as shipping, insurance and the like, as well as increase the debt burden. It is in this sense that the industrialised countries are said to transmit the cost of recession to the weaker African countries.

However, the neo-classical perspective gives a different explanation for Africa's weak position in the international economy. It maintains that an interdependent world economy based on free trade, specialisation, and an international division of labour, is mutually beneficial to both developed and developing economies alike. With trade serving as an engine of growth, the developed economies are able to transmit development to the less developed ones by giving them access to capital, technology and world markets.(2) Therefore, the weakness of economies such as those in Africa and their failure to develop can be traced to domestic problems in them rather than the operation of the international market system. These domestic problems are also defined as policy inadequacies, three of which are considered to be critical by the World Bank as:

> First, trade and exchange rate policies have overprotected industry, held back agriculture, and absorbed much administrative capacity. Second, too little attention has been paid to administrative constraints in mobilizing and managing resources for development; given the widespread weakness of planning, decision-making, and management capacities, public sectors frequently become overextended. Third, there has been a consistent bias against agriculture in price, tax, and exchange-rate policies.(3)

Nevertheless, Africa's position in the world economy has remained weak for most of the post-war period. The extremely weak position of Africa in the world economy means that it has been more adversely affected by the crisis, when its economic performance is compared with other parts of the world (Table 2.1). It is significant that while Africa's performance compared favourably with those of other developing countries in the period 1965-73, it has declined since 1973 while other low income countries performed well. A number of reasons explain this situation, in addition to other domestic factors which are discussed later in this chapter. First, the mid-1970s coincided with the period of 'aid fatigue' or the drying up of the flow of concessional aid to Africa from the developed economies which were themselves hit by the recession induced by the oil price increase in 1973-74. Secondly, the oil price increase hit African countries hardest because most of them import all their energy resources for which they had to pay more than they earned from their exports. Therefore, they had to borrow

Table 2.1: **Economic Performance of Developing and Industrial Countries**

Country Group and Indicator	1965-73	1973-80	1980-86	1986-95 High	1986-95 Low
Industrial Countries					
Growth-GDP per capita	3.7	2.1	1.6	3.9	2.0
Real Inderest Rate [a)]	2.3	1.3	5.9	2.5	4.6
Inflation Rate [b)]	6.1	10.1	1.7	2.7	3.3
All Developing Countries					
Growth-GDP per capita	3.9	3.2	1.5	3.9	2.0
Growth of Exports	4.9	4.7	4.4	7.3	3.6
Primary Goods	3.7	1.2	1.3	3.6	2.2
Manufactures	11.6	13.8	8.4	10.3	5.1
Low Income Countries					
Growth of GDP per capita	2.9	2.5	5.4	4.8	2.8
Growth of Exports	2.0	4.7	5.4	7.5	3.9
Primary Goods	1.7	2.8	3.1	2.6	1.6
Manufactures	2.4	8.2	8.4	11.3	6.0
Sub-Saharan Africa[c)]					
Growth of GDP per capita	3.6	0.3	-3.4	0.7	0.0
Growth of Exports	15.0	0.1	-1.9	3.9	2.0
Primary Goods	15.3	-0.1	-2.2	3.3	1.8
Manufactures	7.5	5.6	4.0	9.6	4.4

Notes: a) Average six month dollar-Euro currency rate deflated by the GDP leflator for the United States.

b) Industrial Countries' weighted GDP deflator expressed in dollars.

c) Excluding South Africa.

Source: World Bank, World Development Report 1987. Quoted in Commonwealth Secretariat , 1987: "Reinforcing International Support For African Recovery And Development", p.29

heavily to finance their widening external imbalances. And thirdly, unlike South Asia which limited itself to acquiring concessionary development aid, most African countries borrowed heavily from non-concessional sources and set the stage for the debt crisis of the 1980s. This explains the negative economic performance for Africa in the period 1980-86.

Even though the crisis began to manifest itself from the early 1970s, the roots are traceable to the structure of the African political economy and its history. The crisis has been evident through "Mass poverty, food shortage, low productivity, weak productive base and backward technology", as well as through balance of payments deficits, inflation, unemployment, the debt burden, etc.(4) Therefore, in proferring solutions , it is necessary to first understand the nature of the crisis, its causes and manifestations. It will also involve distinguishing between causes and effects so that solutions proferred do not end up curing the symptoms instead of the disease. The way to proceed is by investigating the structure of the African political economy which, in interaction with other factors created the African crisis and also sustains it. Therefore,

> An appropriate framework for such a structural analysis should be grounded, first of all, on the examination of the enabling and disenabling factors- domestic and external, historical and contemporary- which have shaped and continue to sustain Africa's underdevelopment.(5)

The domination and indeed the dependence of African economies should be seen as the effect of the process of their integration, through colonialism, into the capitalist world economy. Colonialism "joined African economies to the western capitalist economies in what was essentially an organic relationship".(6) This was done by the construction of capitalist relations of production through monetisation, colonial trade and investment. The monetisation of the African economy through taxation and wage-labour tied these economies to those of the colonial powers. In effect, the colonial monetary system became an extension of the one in the metropole. As Ake argues,

> What needs to be noted is the nature of the colonial monetary system as a cause, as well as an effect, of the integration of African economies into Western capitalism. The process of monetisation went hand in hand with the spread of capitalist relations of production, particularly because it led to the proletarianisation of the African peasant as well as some African entrepreneurs... The monetary system not only helped to create a capitalist economy, but also a capitalist economy structurally dependent on foreign economies.(7)

Trade was equally a vehicle for extending capitalism into Africa. It not only helped to create tastes for western consumer goods, among other things, but also it stimulated primary commodity production. Essentially, this trade which was conducted on principles of Ricardian comparative advantage, promoted an unequal form of complementarity or interdependence between the African economies and the metropolitan economies. Thus,

> Trade created interdependence through complementarity by encouraging specialisation in the primary production of raw materials needed by the metropole, while the metropole specialised in manufacture. This specialisation was not simply one of 'commodities' produced; it was also

reflected in the division of labour.(8)

Foreign investment under colonialism reinforced this unequal interdependence between the African economies and the western economies. Investment was often done only in areas that were profitable and complementary to the metropolitan economy. This explains the concentration of the little investment available in the production of raw materials for industries in the metropole. Since profitability and complementarity to the metropolitan economy determined foreign investment,colonialism created an economy which was characterised by disarticulation.(9) This disarticulation was reflected in the lack of forward and backward linkages between the various sectors of the economy. These sectors existed separately but were linked in their separateness to the economy of the metropole.

For instance, the kind of link between industry and agriculture where each serves the needs of the other to their mutual development, did not exist in the African economy. The agricultural sector did not produce raw materials for the domestic industrial sector just as the industrial sector did not produce tools for the improvement of productivity in the agricultural sector. This situation was out of place with experience in other regions of the world where development took place only because industry and agriculture had operated with a high degree of complementarity. Indeed, the different sectors of the economy were significantly transformed by the integration of their activities such that agriculture itself became an industry. In this area, Africa's situation is different from other parts of the Third World where some degree of integration has taken place between agriculture and industry.

This has not been the case in Africa,where agriculture, especially cash crop agriculture,has continued to feed western economies by producing raw materials exclusively for their industries. The same situation obtains in the minerals sector where minerals such as copper, phosphate, oil, etc, are produced and exported almost in their pure raw state to the western economies. Essentially, the African economy comprised different sectors which were relatively autonomous and depended on external rather than internal demand for their expansion and growth. The sectors penetrated by foreign capital within this situation also became apart of the international capitalist economy, though only in a subordinate position.

To this was added the market imperfections and the monopolist tendencies of the colonial economy. As a result of this, the African economy became a client of the European economy by producing what it does not consume and consuming what it does not produce. For instance, Africa is a major supplier of raw materials such as cocoa beans, coffee beans, bauxite, copper, phosphate rock, etc, to the EEC, the USA, and Japan. These are commodities which do not go directly into domestic consumption but are exclusively for export. In that respect, the continent is producing not only what it does not consume, but also what it does not need. On the other hand, the continent is unable to produce a significant proportion of what it consumes such as manufactured consumer goods, capital and intermediate goods, and even food. These are imported almost exclusively from the countries to which the raw materials are exported. This is what constitutes the paradox of Africa producing what it does not consume and consuming what it does not produce. There was also the effective presence of international capital in Africa through the various trading and manufacturing monopolies, such as the United Africa Company (UAC) and similar big companies throughout the region.

Another important level of disarticulation and a factor in the underdevelopment of Africa is the imperfect integration between the capitalist and pre-capitalist systems of production. Since it was introduced during the colonial period, the capitalist mode of production has remained an enclave in Africa. It has failed to take root in an environment still dominated by various forms of pre-capitalist production systems. This pre-capitalist system is the African peasant mode of production, and it has been a source of hinderance to capitalist development or for that matter to socialist development, on the continent. The African peasant mode of production differs significantly from other peasant modes elsewhere in the Third

World. For instance, African peasants have more control over land which is communally held, compared with their counterparts in Latin America and Asia. This enables them to exercise control over what they produce, that is the freedom to switch from cash crop to subsistence agriculture, a freedom not available to peasants elsewhere. As a result, African agriculture has remained at the subsistence level, and has not been transformed into an industry integrated into the rest of the economy. Thus,the African economy has maintained a dual structure in which there is an externally generated capitalist enclave which is modern and formal, and the rural peasant/informal sector which is responsible for over 80 per cent of national employment and economic activity in general.

In line with the experience of the developed world, development is dependent on the expansion of productive forces. This inturn requires the replacement of inefficient pre-capitalist forms of production with modern and efficient forms. In the African situation the contact between capitalism and the peasant economy should have resulted in the transformation of the peasant sector and its incorporation into the capitalist production system. This is because the peasant society is

> ...essentially self-limiting, backward, and operating in a framework and logic that limits the expansion of productive forces.(10)

However, the contact between capitalism and the peasant society has remained largely at the commercial exchange rather than at the production level. The peasant economy was therefore able to remain relatively autonomous and operate according to its own internal logic.

This is the main difference between the experience in Africa and the situation in Asia and Latin America. In Africa, the relative availability of land to all through communal ownership has enabled the peasant societies to easily withdraw from cash crop production and remain socially and economically independent of outside forces. But in Asia and Latin America where the peasants are for the most part effectively denied access to the same means of production and subsistence, there was a significant expansion of capital and capitalist development. As in Europe, the labour force created through landlessness was deployed to other areas of the economy such as manufacturing. The result is that while the economies of Asia and Latin America were transformed with some becoming the NICs,the African economy has remained backward. This is also partly the reason why Africa is affected in a different way than other Third World countries, by the same international economy.

The basic structures of the colonial economy survived into the post-colonial period in Africa. Structurally, the post-colonial African economies are still disarticulated and or incoherent.They are dependent, have narrow resource base and monopolistic tendencies.(11) These structures also mutually reinforce each other in their operation and constitute the most fundamental causes of Africa's underdevelopment and retrogression. It is instructive to look at how these structures cause underdevelopment, and their built-in resistance to change.

Disarticulation is still dominant in the African economy and is reflected in such areas as enclave or lopsided development in the sense of urban bias and rural neglect. It is also seen in the predominance of subsistence and commercial activities, and the neglect of the informal sector.(12) Most exports are still monocultural, there is little industrialisation, and there are no linkages between the various sectors such that even the transport system reflects this situation. In the transport sector, the colonial legacy has survived. Instead of an integrated system linking all parts of the country in order to generate greater economic contacts and activity, roads and railways were constructed to link sea ports with raw material and mineral producing areas of the hinterland mainly for the evacuation of these products. Such commodity-producing areas have usually attracted all the infrastructural development to the exclusion of the other areas.

The chaotic nature of infrastructural development is a factor in the lack of economic development. After three decades of independence, not much has changed in this area. For, as Ake has argued,

> Disarticulation tends to be self-perpetuating ... private investors more interested in profit than

> in intersectoral integration naturally tend to concentrate investments in the enclaves which offer economies of scale and also the availability of infrastructures, support services, and easier access to markets. The policy-makers often have a vested interest in further development of the enclaves because of personal convenience and also because of the pressure to show results quickly . The need to secure forign exchange earnings for development projects is another powerful pressure for the maintenance of the African economy in the state of disarticulation.(13)

There is also an organic link between disarticulation and dependence in the African economy, because they both resulted from the integration of Africa into the capitalist world economy. These vertical ties between the various sectors of the African economy on the one hand and the metropolitan economy on the other,have led to its openness, disarticulation and dependence.(14) This integration into the world economy not only led to disarticulation and dependence, but also their mutual reinforcement:

> For instance, dependence entails external control, which inhibits the ability of the national leadership to undertake the restructuring of the economy necessary to reduce disarticulation. The dependence of African economies perpetuates their disarticulation by making it easier for metropolitan economies to maintain the international division of labour which consigns Africa to primary production and retards industrialisation.(15)

Arising from this openness and external dependence is the problem of the narrow resource base of African economies. The narrowness of the resource base has meant that Africa cannot diversify and integrate her economy due to the external demands for mainly primary products and the need to earn foreign exchange to promote development. Also, the narrowness of the resource base means that Africa is unable to exercise any power over critical areas of economic decision making

> Such as localisation of ownership and control, export promotion, import substitution, restrictions on foreign investment, imports and repartriation of profits.(16)

This reinforces disarticulation, deepens dependence and lack of industrialisation, because of

> the structural dependence of the manufacturing sector on imported factor inputs such as capital, skilled manpower, technology and finance as well as spare parts and even raw materials.(17)

The factors enumerated above are complemented by the existence of market imperfections and monopolistic tendencies in the African economy. This is seen in the form of multinational corporations(MNCs) and their activities. The MNCs contribute to the dependence and disarticulation of African economies by reinforcing the vertical ties established by colonialism between Africa and Europe. The parastatals on the other hand are not only dependent on foreign management and capital and therefore, not able to challenge the MNCs and their almost predatory activities. Instead, they have introduced more rigidities and inefficiencies into the economy. Thus, the private sector in Africa is very small, the product and factor markets are fragmented. It is these structural characteristics interacting with other factors, external and internal, to the African economy that have led to underdevelopment and the crisis in Africa since the early 1970s.

The External Factors in the African Crisis

The external environment, arising out of the integration of Africa in the world economy under western dominance and based on unequal relationship and surplus exploitation, has contributed greatly to the African crisis. This vertical relationship has generally been maitained around trade, aid and investment, among others. Other generalised periodic crises in the global economy have also adversely affected the fortunes of African states.(18)

With regard to trade, quite apart from the fact that the prices of both African exports and imports have not been determined by them, the prices of their commodities have continued to decline over the years even though those of imports continued to rise. This added to Africa's poor economic performance during the 1970s and the 1980s as their terms of trade worsened, traditional exports declined as did both price and quantities, just as imports jumped up also in both price and volume (19) as Table 2.2 shows. The falling revenue situation resulted in large trade deficits (Table 2.3).

The falling demand for African primary commodities by the western capitalist countries, their major trading partners has also compounded the problem of declining export earnings. The major recession in these western economies since the mid-1970s forced a decline in both demand and price for commodity exports

Table 2.2. Commodity Trade: Volume and Prices

	Volume (annual average growth rate in percent)				(annual average growth rate in percent)	
	Sub-Saharan Africa		World			
	1961-70	1970-82	1961-70	1970-82	1961-70	1970-82
Fuels						
Petroleum	32.9	3.3	12.1	1.5	-2.6	20.1
Minerals and						
metals Copper	2.7	-0.3	3.2	2.6	9.5	-7.2
Iron ore	25.8	-5.1	8.5	0.7	-4.4	-4.6
Bauxite	18.5	20.5	6.4	1.8	6.1	1.8
Phosphate rock	20.1	2.2	8.0	1.3	-2.3	1.7
Manganese ore	11.4	-3.4	5.9	-1.2	-6.4	-0.6
Zinc	-1.6	-2.9	5.6	0.9	2.7	-3.9
Tin	3.8	-8.5	1.9	-0.1	3.0	4.1
Lead	17.4	1.5	9.4	-12.8	5.1	-0.9
Food and beverages						
Coffee	4.3	-1.0	2.3	0.9	0.3	1.8
Cocoa	-0.4	-1.2	0.5	-0.2	4.9	3.0
Sugar	4.4	1.2	1.2	3.1	-5.3	-2.7
Tea	9.5	4.0	2.4	2.1	-4.5	-2.8
Groundnuts(meal)	6.3	-4.6	1.1	-6.4	0.6	-4.1
Groundnut oil	5.4	-7.1	3.3	-0.4	0.1	-4.0
Beef	9.8	-7.0	5.6	4.6	6.8	-4.1
Palm oil	-9.7	-6.7	4.1	11.5	-2.3	-3.2
Bananas	-2.2	-6.6	4.9	1.0	0.1	-1.1
Maize	8.1	-6.9	7.1	8.6	-0.2	-4.2

.....continued

Table 2.2. Commodity Trade: Volume and Prices ......continued

Nonfood						
Timber	5.1	-2.3	6.0	1.8	0.6	3.6
Cotton	6.0	-4.0	0.8	0.9	-1.7	-1.9
Tobacco	-6.0	4.7	1.6	2.6	3.0	-1.2
Rubber	2.7	-3.8	2.9	0.9	-4.6	0.0
Hides and skins	0.5	1.5	3.9	2.6	0.3	. .
Sisal	-1.8	-9.7	-1.7	-9.8	-8.4	0.1

Source: World Bank (1984) <u>Toward Sustained Development</u> ..., p.68

Table 2.3 **Sub-Saharan Africa's Trade Balance, 1970 ($m)**

Country	Current Account Balance 1970	1982
Chad	2	19
Mali	-2	-113
Burkina Faso	9	-
Somalia	-6	-117
Niger	-	-
Gambia	1	-47
Ethiopia	-32	-196
Zaire	-64	-375
Malawi	-35	-78
Uganda	20	-256
Rwanda	7	90
Tanzania	-36	-268
Benin	-1	-
Central African Republic	-12	-268
Guinea	-	-
Madagascar	10	-369
Togo	3	-152
Ghana	-68	83
Kenya	-49	-509
Sierra Leone	-16	-158
Sudan	-42	-248
Mauritania	-5	-252
Liberia	-	-79
Senegal	-16	-
Lesotho	-	-50
Zambia	108	-252
Zimbabwe	-	-706
Botswana	-	-61
Swaziland	-	-69
Ivory	-38	-15
Mauritius	8	-43
Nigeria	-368	-7,324
Cameroon	-30	-525
Congo	-	-320
Gabon	-3	680

Source: World Bank (1984) Toward Sustained Development in Sub-Saharan Africa, P.69. Quoted in Bade Onimode (1988) P. 191

not witnessed since the Great Depression.(20) The rate of growth of these developed market economies fell from the average of 3.1 per cent a year in the 1970s to 1.4 per cent in 1980, 1.6 per cent in 1981, and was negative in 1982. Their imports also fell from over the same period and triggered the fall in the prices of the main commodities exported by the developing countries(excluding oil) by 21 per cent in real terms between 1980 and 1982. However, even though developed countries began to recover by 1983, with an average annual growth rate of 3.5 per cent and volume of imports growing by around 8 per cent a year, this did not increase their demand for raw materials from the developing countries as was the case in the 1970s. This time, the recovery was more modest and inflation remained modest.

The policies of these western countries with respect to Third World commodities have exacerbated the problem of falling prices. Such policies as cutting down their consumption of these commodities as was seen in energy conservation measures worked to drive down the prices of these commodities. Apart from oil, most of the other commodities of interest to African countries recorded declines in their prices. For instance, copper prices recorded a decline in annual average growth rate from 8.8 per cent in 1960-70 to -18.7 per cent in 1970-80, and continued to decline in the 1980s. Other commodities like iron ore, sugar, groundnuts, tea, cotton, timber, all recorded decline in prices.(21) There was also a shift in the direction of substitutes made possible by scientific advancement. Thus, Third World commodities began to face stiff competition from synthetics as in the case of glass fibre for copper in telecommunications. Today, many African commodities, both agricultural and non-agricultural are threatened by these substitutes.

The economic crisis in Africa was further fueled by the oil price increases first in 1973, and then in 1979. This development hit the majority of Sub-Saharan African countries very hard since they are mainly oil-importers. It meant that they had to spend more of their scarce resources on oil imports instead of goods needed to promote development. The dramatic increase in oil prices not only consumed the export earnings of many African countries, it also imposed debts on them as they resorted to borrowing in order to finance energy imports and even other imports. This worsened the deficit crisis which had already set in with the declining commodity prices. It also led to the accumulation of debts by these oil-importing countries.

A related factor is increasing protectionism by the OECD countries. This has been done through both tariff measures such as the EEC's common agricultural policy. And since these African countries are usually dependent on only one or two commodity exports, and with the various international commodity agreements not able to stand the pressure of market forces, there has been an over-supply of these commodities resulting in the collapse of prices. The oil glut of the 1980s which resulted in petroleum prices falling from about $30 in 1982 to around $12 by October 1988, (22) is a case in point.

Another contributory factor was foreign aid. Foreign aid was expected to boost the development efforts of African countries through the supply of the much needed factor inputs. There is no doubt that foreign aid could be useful in promoting development if properly directed and used as well as being in steady supply. The reality of non-concessional aid in particular, was different in the sense that it became a poison to Africa's development efforts. Very often, foreign aid was supplied with many destructive 'strings' attached as it was used by donors to simply sell their goods to the recipient countries.

In most cases, the aid given went to finance white elephant capital intensive industries and large-scale commercial farms. Also, these investments usually turn out to be inappropriate and end up providing the avenue for second hand and out-dated machinery which requires the continued use of foreign experts and spare parts at considerable cost to the countries concerned. The army of aid agencies dealing with Africa often taxed the limited administrative resources of recipient countries. With the average of over 50 aid agencies from various bilateral and multilateral sources involved in a country, there is usually a constant flow of personnel from these agencies to a country all competing for the attention of a few over-worked officials. This often limits the effectiveness of aid to the continent because of the administrative costs involved.

Another burden which comes with aid is the number of projects which recepient countries have to cope with. For instance, Kenya was reported to have been burdened with 600 projects from 60 donors in the early 1980s; Malawi had 188 projects from 50 donors; Lesotho had 321 projects from 61 donors; and Zambia had 614 projects from 69 donors.(23) As a result of all these factors, donors have been able to influence development priorities in Africa to their own advantage. As the Advisory Group to the UN Secretary-General on Financial Flows for Africa, observed in this regard;

> Donors have not always contributed to aid effectiveness either. Many of them tend to pursue their own interests or to have their own views of development priorities. What African countries need is not always what donors want to give to them.(24)

The obstructive policies of aid donors were complemented by the steady decline in the flow of concessional aid to Africa. The gradual drying up of the flow of aid became particularly evident during the period of so-called 'aid fatigue' in the 1970s. But it was also a period when private bank lending was on the increase as OPEC surplus earnings were being 'recycled' to enable oil importers pay their energy bills as well as other imports. All these measures helped to create the debt crisis and capital flight whose contribution to the exacerbation of the African crisis is very significant and needs to be probed further.

Multinational Corporations and the African Crisis

Multinational Corporations are agents of capitalist development around the world because of their global network of activities. As giant conglomerates which control enormous amount of capital and technological expertise, they are able to take development to all parts of the world. They can inject both capital and technological expertise into a country. This monopoly which the multinationals have over capital and technology as well as their control of the world market has made them considerably attractive to Third World governments for whom foreign exchange is essential for internal development and for survival in the world economy. The multinationals have therefore been welcomed by the developing countries to participate in their development programmes through direct investment and joint ventures.

The home governments of the multinationals have also promoted the role of these corporations as the main sources of investment and development. This is demonstrated by the dominant and expanding role of private capital investment in the relations between the industrialised countries and the developing world over the last three decades. Thus, the multinationals have emerged as a powerful global force in the world economy. Their monopoly control of technology and capital, and the fact that they operate on a global scale across national boundaries has given them this power. This has inturn given them the ability to dominate economic and social life in the Third World where they have sometimes become a law unto themselves. A good example is the power of Lonrho in countries such as Zambia, Kenya, Zimbabwe, Ghana, and the personal relationships which its chairman, Tiny Roland, has developed with many African rulers.

However,inspite of their potential for promoting development , the multinationals have generated much distrust from most of these countries (especially by workers, students, and other urban-based groups in Africa) because the experience has been largely disappointing. The development objectives of many countries have often conflicted with those of of the multinationals and that has not helped the interests of these countries. The objective of most developing countries is to attract private foreign investment and the technology of the multinationals for their internal development. The realisation of this objective requires that the activities of multinationals in these countries be controlled and integrated into national development plans, or at least the cooperation of the multinationals. But the power and the global scale of the operations of these multinationals do not make them amenable to any form of interference and control by Third World countries. This has been the experience of many African countries, despite the enthusiasm of their governments to attract the multinationals to invest.

The multinationals operate according to a different objective: to maximise profit and minimise risks and losses. In doing so, they do not allow host countries to interfere with their activities, so they have adopted several strategies to keep host countries at bay. For instance, the globalisation of production has made it easy for multinationals to direct and redirect capital from one subsidiary to another, relocate production or carry out cost-saving measures. Multinationals are able to manufacture, assemble, and finish products in different countries. Therefore, they tend to locate their production in countries which offer cheap labour and favourable labour policies, and generally, a good climate for investment. The multinationals have found these ideal conditions in the NICs of south east Asia where they invested heavily. The rest of the developing countries have had to contend with the disruptive activities of multinationals and the crises they induced in their economies.

African countries have been among the worst affected by the activities of the multinationals. Unlike the Asian NICs whose experience with the multinationals has been beneficial because they have managed the relationship well and have developed as a result; in Africa the multinationals have obstructed the continent's development efforts. This is mainly because in Africa, it is the state which has not managedthe relationship with the multinationals well. This failure is reflected in the nature of investments by multinationals in the region which have largely been in assembly and extractive industries. Thus, investment by multinationals in Africa have mainly tended to reflect their global strategies rather than the development needs of the region. It is in this sense that they are linked to the development crisis in Africa. In Africa, the multinationals have gone for maximum profits and minimum risks but have defied any attempts to integrate them into local economic structures. Thus, the multinational corporations are not only the modern mechanism through which the disarticulation and external dependence of African economies are maintained, but are also responsible for the low resource base of these economies through their promotion of capital flight. They have penetrated and throughly dominated all sectors of the African economy. They are in such profitable areas as trade, banking and finance, consultancy, extraction of raw materials(oil,etc) even the import-substitution industries.

The multinationals dominate the African economy in several other ways. One of these is through majority ownership. Most of these multinationals have financial control over their African subsidiaries and this has given them leverage to dominate and exploit. They also control the market in Africa as well as the general trade with the outside world. As a result of this process, there is a widely held perception in certain quarters that,

> African countries were subjected to outrageous plunder by TNCs as they attempt to industrialise or improve their existing modest industries. The demand for modern means of production and technology accounts by value for 40 per cent of the imports of African countries... the import of technology implies that TNCs must come with it as consultants, managers, experts, technicians, etc. And this happens generally at exhorbitant fees.(25)

Moreover, these ac tivities of the multinationals have had negative consequences for Africa and thereby contributed to its underdevelopment and decline. One such consequence is the elimination of local entreneurship through market imperfection and monopoly.

The multinationals have also obstructed technological research and development in Africa. Their controlof technology is an important element in this dominance. The concentration of research and development in the industrialised countries "constitutes the dominant source of technological backwardness of African and other underdeveloped countries."(26) Thus technology transfer is a one-sided process whereby the multinationals have either brought in advanced technology which does not serve the needs of Africa;or they have completely blocked any transfers of technology. This is because subsidiaries of these corporations in Africa merely package products imported from parent companies.

With regard to the manufacturing sector, subsidiaries of multinational corporations also do routine assembly of manufactured components such as Completely Knocked-Down (CKDs) for cars, electronics, business machines, etc. These tasks were simple and did not result in any transfer of technology. Such skills that are transfered by the multinationals are as a result, simple enough to enable the workforce to assemble and package the various manufactured components. The technology needed to fabricate and produce goods was hardly transfered. This owed more to the global strategy and network of the multinationals which determine the spread of operations and the kind of skills to be transfered. Another area in which technology transfer has been blocked by the multinationals is their use of patents. About 90 per cent of all patents granted by the multinationals to developing countries actually go to their subsidiaries.

Also, multinationals have become the chief agents of capital flight from Africa and the Third World generally. This net export of capital from Africa to the western countries is carried out by the multinationals through the repatriation of super profits, transfer pricing involving both the under-invoicing of exports and over-invoicing of imports, mark-up and imported inflation, unequal exchange, inflated contracts, technology rents, etc. The seriousness of this level of capital flight is demonstrated by the Nigerian experience between 1970 and 1980(Table 2.4). This level of capital flight has often involved the active collaboration between the multinational corporations and banks, and the ruling elite in these countries.(27)

Yet in making these huge profits, the multinationals have had to mobilise support and resources locally in their host countries. This means that their growth and dominance has been subsidised partly by poor countries like those in Africa. This subsidy has been given in the form of protection, low-interest credits, special tax concessions, low salaries for workers, etc. The result of this for the host countries is that

> ...local entrepreneurial groups are expropriated, traditional and not so traditional economic activities are disrupted, unemployment and underemployment are generated, national decisioon-making centres are eroded, balance-of-payments problems are aggraveted, huge foreign debts are accumulated, and property and income are increasingly concentrated.(28)

However, the scenario under discussion reflects a situation where the multinationals have been able to determine the terms of their activities. It reflects a failure by such countries to manage multinationals to achieve their own development goals. In many cases this failure is inevitable because many of these countries are too weak to take on the multinationals which are richer and able to exact considerable influence around the world. But, if multinationals are properly managed, a country

Table 2.4 Flow of Payments on Foreign Direct Investment in Nigeria, 1970/80 (US $ M)

Year	Outflow	Inflow	Net Outflow
1970	-385.0	+205.0	-180.0
1971	-475.5	+285.8	-189.7
1972	-609.1	+305.1	-304.0
1973	-937.0	+373.1	-563.9
1974	-610.9	+275.4	-335.5
1975	-627.7	+471.7	-156.0
1976	-579.6	+339.4	-240.2
1977	-783.4	+439.0	-344.4
1978	-408.8	+212.8	-196.0
1979	-205.4	+310.1	-104.7
1980	-875.9	+600.0	-275.9
Total	-6,498.3	+6,817.4	-2,680.9

Source: United Nations Centre on Transnational Corporations Transnational Corporations in World Development, A Third Survey, New York, 1983, p.289. Quoted in Bade Onimode (1988) p.84

can do better from the activities of these multinationals. For instance, countries like China and Malaysia have been able to secure favourable agreements with multinationals.

The State and the Internal Dimension of the Crisis

The state in Africa has largely been a contributor to the development crisis on the continent. The post-colonial state in Africa is by nature incapable of playing a developmental role, and this is evidenced from its performance after 30 years of independence. This is because in Africa, the state has no roots in the society, it is essentially juridical by definition rather than an authoritative centre of power. The post-colonial state owes its origin to colonial rule, when it was set up to serve the interests of the colonising power. This it often did without necessarily cultivating legitimacy since it was the representative of a government which enjoyed legitimacy at home, accountable to the people, and had monopoly over the coercive machinery in the society. In Africa, the post-colonial state has neither had that legitimacy nor monopoly over the coercive machinery in the society. Another factor defining the character of the state is the dominance of a pre-capitalist economy on the continent. Consequently, the state has become authoritarian and a patrimonial-bureaucratic entity lacking in Weberian rationality and therefore incapable of generating capitalist transformation of the productive forces.

Thus, as an actor, the state has become a burden on society and has played a contradictory role in the development process. This dilemma of the African state has been put thus:

> ...as an actor in the international arena, it was besieged, in its relation to society it was set apart; and as an executor of policy it was overloaded.(29)

The result of this is the rise of what has been variously described as corporatism, and crony statism(30)in state-society relations. Thus, the state has had to fight for space for itself, to control and structure interest articulation in society. It has tended to determine or create interest groups and limit their freedom to operate, and generally to extend its hegemony over all competing social forces. This situation has a number of implications which place severe limitations on development.

At the political level, there has been the predominance of the political over everything else. In this regard, Thomas Callaghy has observed that

> As political rather than economic logics prevailed, the dominant form of political economy became a crony statism consisting of three inter-related characteristics: (1)clientalist networks used to build support through the extraction and distribution of rents, (2)expansion of state size, including the creation of an extensive parastatals sector, and (3)purchase of primarily urban support via state welfare services and subsidies.(31)

The result was that the bureaucracy expanded without increasing efficiency and the state imposed a heavy burden on society because of the huge amount of resources required to maintain it. The state generated these resources in a predatory manner by following the colonial tradition of extracting surplus from peasant producers or mineral wealth under the centralised control of the ruling elite. The ruling elite have used the spoils of the state to reward allies and establish control over hostile social forces. Thus, the post-colonial ruling elite in Africa created a situation in which "patrimonial, rentier,and prebendal forms of politics and administration defined the political economy".(32)

However, the ruling elite have also lacked the unity required to assure it of clear domination over other social groups. As a result of the fierce intra-class struggles within the ruling elite for control of the state, the African society has been subjected to authoritarian personal rule, arbitrariness, maladministration, systemic corruption and political instability. In the process, the state was used to enrich the ruling elite and their associates, both domestic and foreign. This was underlined by the nature and scale of the role of the state in the running of the economy. Through the state, they controlled foreign exchange acquisition and allocation by administering exchange rates, import controls, and import licence. A large parastatals sector covering practically every area of economic activity, was created. It was corruptly administered, inefficient, weak, and heavily dependent on import substitution activity.

On the whole, the state pursued irrational and unproductive economic policies. There was often no intermediate and capital goods sector, while attention concentrated on commercial and service forms of activity, investment in real estate, and consumption. Even the private sector,such as existed, which was largely foreign, was very much dependent on the state for the profits that it extracted. In most cases private investment in long-term production was made very difficult by the unstable economic and political situation generated by the state. As a result,foreign private capital responded by investing in only the extractive industry (like mining) or the service sector which brought quick returns that were mostly repatriated. However, as far as long-term productive investment was concerned, foreign capital either took an exit or refrained from coming in, preferring instead to go to other parts of the world where the climate for such investment was conducive. Thus, Africa has largely been by-passed by foreign capital for other regions of the Third World such as South East Asia where the political and economic climate has been favourable for investment.

Moreover, Africa differs from other parts of the Third World both in its failure to adapt the modern state system as well as develop a state-wide civil society. In Asia and Latin America, the modern state system evolved over a relatively long period of time. During this period of evolution, unifying religions, civil societies, self-confident cultures, and other unifying tendencies were developed. In contrast, African states were created by European colonialism largely by aggregating different societies, political systems, religions, and cultures into single larger territories. There was no attempt under colonial rule, to encourage the integration of the various peoples into national communities with all the attributes which have helped other parts of the world to develop.

All the attempts by African governments to redress this situation ended in most cases, in spectacular failure. The various programmes of nation-building which were implemented caused more division and alienation instead of bringing people together. As a result, African societies have remained heterogeneous without any shared set of values which could be used to promote development. Thus, for Africa, in place of a shared self-confident culture, there are often many self-confident cultures in competition with each other. In place of a unifying religion there are universal religions which are locked in conflict with each other. These problems have been reflected in the many civil wars, inter-ethnic and religious conflicts which have plagued the continent since independence. The instability generated by these problems have continued to obstruct efforts at development. In this respect, Africa differs significantly from other parts of the Third World (South Korea, for example) whose development was helped by their traditional values.

Certain other domestic factors, some of which have resulted from the structures of the African economy, have interacted with the external factors discussed above and the structures of underdevelopment to deepen the crisis in Africa. It is instructive to assess their place in perpetuating this crisis, since that has a bearing on the kind of solutions that are proferred. A major factor in this regard is the adoption of the neocolonial model of development, which leads to inappropriate policies and other institutional weaknesses.

This development model, also known as the modernisation model or more appropriately (by Susan George) as the 'mal-development' model, has sought to mould Africa in the image of west European countries. Consequently, there has been the conscious attempt to imitate the western path to development. What makes this model inappropriate and harmful to African efforts at development is that,

> It mimics without understanding and copies without controlling. Lacking roots in the local culture or environment, it quickly droops and withers if not sustained by transfusions- of foreign capital, technology and ideas. It goes for growth, usually without asking, 'Growth of what? For whom?' Industrialisation is frequently its centre piece, sometimes export agriculture relying on industrial inputs.(33)

In addition, the need for sectoral linkages, especially between industry and agriculture was ignored as was food security and small-scale peasant agriculture. This model is outward-looking and costly, relying instead on imports and neglecting local resources and skills in the rush to industrialise at all cost.(34) Usually, the industrial strategy adopted is that of import substitution and this has created serious obstacles to industrial development in Africa. One of these is the persistent wrong priorities and resource misallocation. As Bade Onimode has observed,

> An important aspect of these defects relates to industrial composition with respect to the manufacturing of semi-luxury and luxury consumer goods, the chronic shortage of essential manufactured goods, and the virtual absence of the capital-goods manufacturing sub-sector of heavy industries.(35)

A related problem with this industrial strategy has been the massive import of raw materials and spare parts thereby creating import dependence and balance of payments deficits. This also means that there is very low value added and the technology imported is inappropriate to the local environment. Moreover, the multinationals have usually ended up controlling these import-substitution industries and have used them to drain resources by the imposition of capital-intensive technology and transfer-pricing. A situation of structural crisis has therefore persisted in this area. It is no wonder that Africa's performance in manufacturing has been very disappointing as its share of world manufacturing has not grown since 1960 and was only 0.06 per cent in 1973.(36)

The attempt by the state to control the rest of society in Africa has also created another major obstacle to development.

The concentration of political and economic power in a few hands, the patronage and privilege, all at the expense of the majority who continue to be marginalised, disadvantaged and deprived, has denied the state legitimacy. Instead,

> ...the popular classes see the state both as unreliable oppressor(inefficient capitalist) and as an unpredictable "godfather" whose generosity(social services) cannot be taken for granted.(37)

The weapon which the populace has used in response to this is to withdraw or disengage from the state which they see as alienating. This also involves withdrawing from the formal economy which is under the control of the state. It is not only the peasants who withdraw from the state, the lumpen elements in the urban centres have also exited. This can be seen in the size and vibrance of the informal market within the urban areas.

The withdrawal also takes different forms depending on the section of the population involved. For those people who are in some kind of state employment, the strategy has been to corruptly use their positions and to engage in moon-lighting. The professional group and others who are able to withdraw from the state by literally leaving the country to seek greener pastures elsewhere. A common form of withdrawal has been the rise of the informal sector or parallel economy to that run by the state. This is essentially an underground economy of black markets, smuggling and other forms of illegal economic activities. The final form of disengagement has been the retreat to narrow communities and solidarity groups such as ethnic and religious groups which now became the focus of loyalty. The peasants generally disengage from cash crop production to subsistence crops. Therefore, in the light of the issues discussed here, the state has been unable to create a stable environment conducive to development, or mobilise the people and resources to achieve a transformation of the productive forces. Thus, the post-colonial state in Africa has been unable to play a developmentalist role the same way as the state has done in South East Asia, for instance.

The neglect of small-scale peasant agriculture and the pursuit of other inappropriate agricultural policies such as low farm gate prices and the emphasis on cash crops, led to steady decline in agricultural production. This along with the adverse developments with regards to Africa's export crops, negatively affected performance in this sector (Table 2.5). Africa's dependence on rain-fed agriculture also adversely affected food production from the early 1970s, due largely to persistent drought and bad weather conditions (Table 2.6). As production declined, food imports began to rise in the 1970s until Africa lost the ability to feed itself in the 1980s.(38) The structural rigidities in the economy have also helped to reinforce these conditions as the environment is being destroyed through drought, deforestation, desertification, soil erosion and the like. At the same time, Africa has maintained a

Table 2.5 Sub-Saharan Africa's Export of Major Crops: Growth and Shares

Commodity	Average annual Change in Volume (%) 1961-63 +0 1969-70	1969-72 1980-82	Sub-Saharan Africa's Share of World Exports (%) 1961-63	1969/71	1980/82
Beverages:					
Cocoa	0.2	-0.3	79.9	75.9	69.3
Coffee	3.4	-0.2	25.6	29.3	25.9
Tea	9.0	4.1	8.7	9.3	-
Cereals:					
Maize	-1.9	-5.1	2.5	1.4	9.3
Wheat	1.2	-16.2	0.1	0.1	0.0
Rice	0.7	-12.5	0.9	0.8	0.1
Other Cereals	-6.0	13.3	4.1	1.4	2.5
Ooils and Seeds:					
Ground nut oil	2.2	-6.0	53.8	57.6	27.8
(shelled)	-6.1	-13.9	85.5	69.1	18.0
Oil seed cake and meal	5.3	-3.8	9.5	8.3	2.2
Palm kernel oil	8.9	-1.3	55.2	54.8	21.6
Palm Kernels	-6.2	-9.6	90.4	82.2	75.8
Palm oil	-8.6	-5.1	55.0	16.4	3.0
Sesame Seed	3.8	-6.2	68.6	75.3	40.7
Other					
Bananas	-1.7	-5.4	10.9	6.5	3.0
Cotton	5.6	-3.5	10.8	15.5	9.2
Rubber	3.0	-2.9	6.8	6.8	4.4
Sisal	-2.1	-8.7	60.7	59.7	60.4
Tobacco	-3.1	6.6	12.1	8.2	11.8
Sugar	3.2	1.4	4.7	5.6	4.8

Source: World Bank (1984) Toward Sustained Development in Sub-Saharan Africa, p.80-1 Quoted in Bade Onimode (1988) p.155

Table 2.6. **Decline in Agriculture and Food Production, 1960/82**

Country	Average annual growth rate of volume of production (percent): Food 1960-70	Food 1970-82	Total agriculture 1960-80	Total agriculture 1970-82	Average annual growth rate o total production per capita((percent): Food 1960-70	Food 1970-82	Total agriculture 1960-70	Total agriculture 1970-1982
1. Chad	-0.3	2.4	0.2	2.1	-2.2	0.4	-1.7	0.1
2. Mali	1.3	2.5	1.6	2.7	-1.2	-0.2	-0.9	0.0
3. Burkina Faso	3.2	2.4	3.5	2.5	1.2	0.4	1.5	0.5
4. Somalia	2.8	1.0	2.8	1.0	0.0	-1.8	0.0	-1.8
5. Niger	2.7	4.1	2.7	4.0	-0.7	0.8	-0.7	0.7
6. Gambia,The	4.3	-1.0	4.3	-1.0	2.1	-4.1	2.1	-4.1
7. Ethiopia	2.9	1.7	3.0	1.5	0.5	-0.3	0.6	-0.5
8. Guinea-Bissau	..	0.7	..	0.7	..	..	..	..
9. Zaire	4.3	1.3	4.1	1.2	2.3	-2.7	2.1	-1.7
10. Malawi	4.9	2.9	4.7	3.5	2.0	-0.1	1.8	0.5
11. Uganda	3.4	1.7	3.4	0.5	0.4	-1.0	0.4	-2.1
12. Rwanda	4.5	3.5	4.5	3.7	1.9	0.1	1.9	0.3
13. Burundi	4.6	1.6	4.6	1.7	3.2	-0.6	3.2	-0.5
14. Tanzania	5.5	2.1	5.0	1.0	2.7	-1.3	2.2	-2.3
15. Benin	3.2	2.6	3.8	2.4	0.6	-0.1	1.2	-0.3
16. Central African Rep.	0.8	1.9	1.3	1.8	-0.8	-0.2	-0.3	-0.3
17. Guinea	2.7	1.5	2.7	1.4	1.2	-0.5	1.2	-0.6
18. Madagascar	2.7	1.7	2.7	1.6	0.5	-0.9	0.5	-1.0
19. Togo	5.5	2.3	5.4	2.3	2.4	-0.3	2.3	-0.3
20. Ghana	2.6	-0.2	2.6	-0.2	0.3	-3.1	0.3	-3.1
21. Kenya	3.6	2.0	3.3	2.7	0.4	-1.9	0.1	-1.2
22. Sierra Leone	3.7	1.2	3.6	1.2	2.0	-0.8	1.9	-0.8
23. Mozambique	2.3	-1.0	2.0	-1.4	0.2	-5.1	-0.1	-5.5

.....contined

Table 2.6 ....continued

24. Sudan	5.4	2.9	5.4	1.6	3.1	-0.3	3.1	-1.6
25. Mauritania	2.1	1.4	2.1	1.3	-0.2	-0.9	-0.2	-1.0
26. Liberia	0.4	3.0	3.3	2.1	-2.7	-0.5	0.1	-1.4
27. Senegal	-0.4	1.5	-0.3	1.3	-2.6	-1.2	-2.5	-1.4
28. Lesotho	0.1	0.2	0.4	-0.2	-1.9	-2.1	-1.6	-2.5
29. Zambia	3.5	1.8	3.1	1.7	0.9	-1.3	0.5	-1.4
30. Zimbabwe	1.5	1.6	0.6	2.2	-2.0	-1.6	-2.9	-1.0
31. Botswana	0.9	-2.0	0.9	-2.0	-1.7	-6.0	-1.7	-6.0
32. Swaziland	8.8	3.9	8.6	4.5	5.9	0.7	5.7	1.3
33. Ivory Coast	5.2	6.0	5.5	5.0	1.4	1.0	1.7	0.1
34. Mauritius	1.5	0.8	1.5	0.9	-0.7	-0.6	-0.7	-0.5
35. Nigeria	0.5	2.5	0.4	2.4	-2.0	-0.1	-2.0	-0.2
36. Cameroon	4.6	2.1	4.8	2.0	2.5	-0.9	2.7	-1.0
37. Congo,People's Rep.	-2.8	0.9	-2.7	0.9	-5.1	-2.0	-5.0	-2.0
38. Gabon	3.3	0.7	3.3	0.6	2.9	-0.7	2.9	-0.8
39. Angola	2.8	0.4	3.0	-3.0	0.7	-2.0	0.9	-5.4
Sub-Saharan Africa	**2.5**	**1.7**	**2.5**	**1.4**	**0.2**	**-0.9**	**0.2**	**-1.1**

Source: World Bank: **Toward Sustained Development In Sub-Saharan Africa**, 1984 p.77

high population growth rate thereby adding to the problem of development. This population explosion and related problem of urbanisation and rural-urban drift has added to the crisis of underdevelopment.

Another major obstacle to development in Africa is political instability and civil strife. This has deprived the affected areas of a conducive environment in which to plan and successfully implement development. The reality today is that in areas such as the Sudan, Ethiopia, Uganda, Angola, Mozambique, etc, food cannot be grown even if there is good rainfall due to the prevailing security situation. On the other hand, there is worsening refugee problem arising out of this situation and adding to the crisis on the continent.

A related problem is the massive military expenditures which African states have continued to maintain. Most countries, including the poorest and those not under any obvious military threats have continued to run very high defence budget allocations in most cases higher than those of the social sector.(39) For instance, the Stockholm International Peace Research Institute(SIPRI) estimated that in 1983 Africa's military expenditure was 6 per cent of its GDP, while in 1986, military expenditure was nearly $14 billion.(40) The involvement of external powers in regional conflicts like Southern Africa, Chad, Ethiopia,etc, has raised the level of military spending considerably through the military aid given by the major powers.

The fact that the military aid is provided on commercial terms has added significantly to the drain in scarce resources. As a result, the ratio of defence spending to total expenditure has remained high for the region as a whole, and for some countries the ratio is even higher (Table 2.7). This has contributed to the crisis in Africa by maintaining tension and diverting the meagre resources away from meaningful development.

Table 2.7 Military Spending
(percentage of total government expenditure)

	1980	1981	1985	1986
Sub-Saharan Africa	12.1	11.7	10.0	-
Ethiopia	30.0	34.0	34.6	32.0
Uganda	25.2	31.2	15.6	26.3
Zimbabwe	25.0	20.5	15.2	16.3
Somalia	19.2	22.7	-	-
Burkina Faso	17.0	18.4	19.2	18.3
Kenya	16.4	10.7	8.7	10.6
Senegal	16.8	11.8	10.8	10.6
Sudan	13.2	12.3	12.2	10.2

Source: The World Bank; **Sub-Saharan Africa:From Crisis to Sustainable Growth**; 1989, p.168.

There is also the factor of official corruption of the ruling class mainly by using the state as an instrument of capital accummulation on a very large scale. Most African countries are far too poor for the scale of looting perpetrated by their rulers. They have usually colluded with multinational corporations and banks to loot their national treasuries and staCK the loot away in western countries.(41) At home, this elite has used the state as an instrument of primitive accummulation by promoting policies which have devastated their national economies and transfered wealth into their hands and abroad. This can be seen in the import content of their economic policies, unproductive investments using inflated contracts, inefficient institutions and administratiion, etc. All these helped to perpetuate and reinforced the structures of underdevelopment in Africa, as we have already seen.

With the situation discussed above, the decline which Africa began to experience was only to be expected. It was only a matter of time before many of the economies began to collapse as the 1980s have revealed. Meanwhile, from the 1970s, per capita income began to decline (Table2.8) and it did so by more than 12 per cent in real terms between 1970 and 1985.(42) Urban unemployment which was estimated at 10.8 per cent in 1975 rose up to 30 per cent by the early 1980s, and from an underemployment rate of 37-39 per cent in 1975, it climbed to over 58 per cent by the mid-1980s.(43) Mass poverty has increased in the continent as people are poorer today than they were in 1960. All these factors have combined to create the African debt crisis.

Table 2.8 Annual Percentage Change of Per Capita Income in Sub-Saharan Africa, 1960-83

Country Group	1960-70	1970-80	1981	1982	1983
Low income countries	1.5	-0.9	-1.9	-2.5	-0.3
Middle income oil importers	1.5	1.2	0.6	-o.7	-3.4
Middle income oil exporters	1.1	1.6	-6.7	-4.7	-7.3
Total	1.3	0.7	-4.0	-3.3	-3.8

Source: The World Bank(1984), **Towards Sustained Development in Sub-Saharan Africa** p.10; and quoted Bade Onimode, Opcit p.156.

The African Debt Crisis and Structural Adjustment

The problem of indebtedness is another major factor in the crisis of development in Africa. A problem which assumed a crisis proportion in its own right, the African debt is related to the development crisis on the continent both as a cause and as an effect. As a cause, the accummulation of large debts has generated crisis in the external sector of the African economy and has consequently blocked efforts to promote development. As an effect, it is the product of all the factors discussed above as the causes of the development crisis in Africa. Thus, it was the resultant external inbalances and the high level of indebtedness which forced African countries into adopting necessary stabilisation measures.

The major external creditors were also made to adopt structural adjustment as the strategy for resolving the crisis in Africa, following the debt crisis of 1982. To that extent, the debt crisis is also related to structural adjustment as it is to the crisis of development in Africa. It is this link between the debt crisis and the development crisis in Africa on the one hand, and the structural adjustment programmes on the other. It is not in the scope of this study to discuss the management of the debt crisis. However, since international debt crisis management and structural adjustment do overlap, all the discussion will be in this context.

The announcement by Mexico that she was unable to meet her obligations towards her creditors in respect of the huge debts she owed, immediately transformed the debt problem into everybody's, both creditor and debtor. Not only did this development reveal the extent of the exposure of western banks in the Third World. Most importantly, the possibility of Third World debtors defaulting on their debts even if involuntarily, potentially threatened the international financial system with collapse. The power and dominance of the western countries in the international economy was built on this financial system and also sustained by it. It was therefore in their own interest as much as that of the debtors to stem the crisis. For these countries, another interest lay in preventing debtor nations from either defaulting or even forming a debtor's cartel to press for a transformation of the system on which their power and wealth was based. In the event, emergency measures were undertaken to manage crises situations on a case-by-case basis. More permanent measures were to follow later.

The management of the debt crisis by the creditors was concerned mainly with "maintaining the intergrity of sovereign debt contracts and of the international financial system".(44) This was underlined by the prominent role given to multilateral institutions such as the IMF and the World Bank in the management of the debt crisis. However, the style of debt management adopted was dependent on whether the debt owed was to commercial or offial creditors. Commercial debt was owed by the middle income countries and mainly in Latin America. For instance, these countries also classified as the Baker-15 or the World Bank's group of 17 Highly Indebted Countries(HICs), owed a total of $512 billion at the end of 1988 and $363 billion of this was owed to banks.

For this category of debtors, a number of strategies were pursued under the supervision of the Bretton Woods institutions to tackle the debt crisis. The first phase was the 'involuntary concerted lending programmes' put in place under the leadership of the IMF between 1982 and 1985.(45) These programmes were conditional upon the debtor countries adopting austerity-oriented stabilisation measures. This was followed by the Baker Plan which shifted the responsibility for lending to the World Bank. It was aimed at reviving growth in the debtor countries through adjustment between 1985 and 1988. And in April 1989, the Brady plan was put in place with the objective of achieving a systematic reduction in debt. The target of debt reduction was 20 per cent and this was to be achieved largely through volutary means.

With most of Sub-Saharan Africa, the problem has been that of official debt, that is debt owed to the governments of the developed countries and the multilateral agencies. The countries in this category are thirty-two low-income countries in the region, even though they have been joined in that clasification by Nigeria which used to be a middle-income country. However, this demotion of Nigeria has not affected its position along with that of Cote d'Ivoire on the league of the 17 HICs. These two countries are the most indebted in the region, with a share of about 40 per cent of the debt owed by the region as a whole. For this region, the strategy of debt management was slightly different from that used for the HICs, though the objective was the same. Here, there was a mix between discipline and encouragement through rescheduling and new concessional money. On the emergence of the debt crisis in 1982, the IMF moved swiftly to impose more discipline in economic management and external debt management, through structural adjustment programmes. Funding has been provided mainly by the IMF, IDA(the World Bank's soft-loan window) and the Paris Club(OECD) bilateral creditors).

Since the African debt crisis did not emerge overnight, it is instructive to trace its origin to the colonial venture the same way we have traced the structures of underdevelopment to this period. Here, the creation of the debt problem started with the application of the classical theory of underdevelopment in the 1950s which held that the shortage of capital was the major cause of backwardness in Africa.(46) The colonial governments therefore encouraged the inflow of capital into their colonies to stimulate development. The possibility of a debt crisis seemed to have been handled by the colonial powers by guaranteeing all loans, encouraging investment by foreign private enterprises, etc. It was also assumed that the weak nature of African economies would avoid accummulating debt.(47) Due to these measures, borrowing was controlled to the extent that at

> ...independence in 1962, the debt incured by the whole of African countries was registered to be 4 billion US dollars and the debt service ratio represented around 2 per cent of their export earnings.(48)

However, after independence, changes began to take place with regard to indebtedness. The adoption of the 'mal-development' model or strategy of modernisation fueled the accummulation of debt. Thus,

> The desire to modernise their countries made them call for capital from the World Bank through investments on collective infrastructures. At the same time exporting groups pushed their governments to support bilateral aid programmes with export credit financing systems devised in the rich countries. Commercial banks and international capital markets followed suit.(49)

Also, the developed countries siezed this opportunity to promote their own businesses and economic interests. The imported capital went towards developing primary economic infrastructures like electricity, roads, railways, etc., and thus set the basis for the debt crisis in these economies which were externally oriented.This weakness was further exploited by forcing the recepient countries to import the technology and export materials of the donors. As this process interacted with the structures of underdevelopment, there was shortage of capital and export credits were extended to those countries to continue to buy western goods in the name of modernisation. In this way debts were accummulated by African countries.

The surge in lending to the Third World as a whole was witnessed in the 1970s, largely due to the excess liquidity in the international financial system. The sudden increase in the price of petroleum by Opec in 1973 created excess liquidity for the Opec countries. The industrialised economies also experienced a slow down and had excess liquidity which needed to be invested. The Third World became the major recepient of the loans which were now easily available from several sources. The very low interest rates on these loans encouraged many countries to borrow massively, some even from commercial banks. The level of lending from private sources increased towards the end of the 1970s as banks and export credit agencies took extraordinary risks in lending to African countries. There was also a shift towards short term lending. This process is reflected by the weight of commercial bank lending to Nigeria and Cote d'Ivoire, two countries which are also classified as HICs.

For the low-income countries which constitute the majority of countries in the region, the main source of indebtedness is official (both bilateral and multilateral) lenders. The bilateral creditors are mainly OECD countries while the multilateral creditors are the IMF and the World Bank. The proportion of official debt to Sub-Saharan Africa fell between 1970-80, from 65 per cent in 1970 to 48 per cent in 1980 because of the surge in private lending over the period. However, the situation was significantly reversed in the 1980s with the proportion of official debt for low-income Africa(excluding Nigeria) standing at 78 per cent in 1988 or a total debt of $76 billion. On the whole, official debt has been a significant element in the region's debt and development crisis. This significant change has been attributed to the following factors:

> (i) a faster relative rate of growth as various multilateral agencies, in particular the World Bank and the regional development banks stepped up their lending progammes sharply in the 1970s;
> (ii) a sharp decline in non-concessional bilateral lending by export credit agencies in the aftermath of the debt crisis;
> (iii) an increasing shift from soft loan to grant financing by bilateral aid agencies in the 1980s coupled with some debt cancellation; and
> (iv) an explicit preference on the part of developed countries to rely more heavily on the IMF and World Bank in plugging the gap left by the withdrawal of commercial banks in the 1980s.(50)

Apart from the factors discussed above as the causes of the region's mounting debt, another source of the debt crisis was the rise in interestrates. While low interest rates on loans had encouraged many countries to incur massive debts in the 1970s, it was the drastic rise in interest rates triggered off by the second oil price rise of 1978-79 which transformed the situation into a crisis. The oil price rise and the recession it had induced in the industrial economies also resulted in rising inflation. The industrialised countries elected to fight the inflation by raising interest rates, to which floating interest rates for debts were tied. This development automatically increased the level indebtedness in the region by billions of dollars overnight.

The sources of African indebtedness outlined above led to the explosion of the debt crisis in the 1980s, from modest beginnings in the early 1970s (Table 2.9). Thus, the size of the Sub-Saharan African debt grew from $5.8 billion in 1970 to a staggering $200 billion in 1987. The debt service payments also rose from $465 million in 1970 to $1980 and $9.6 billion by 1986. There was also a corresponding rise in the debt service ratio from 5.4 per cent in 1970 to 16.7 per cent in 1980 and 35.8 per cent in 1986.(51) Thus, bilateral debt in the region grew ten times while the scheduled debt service grew more than twenty times. However, the multilateral debt service has escalated rapidly, exceeding the bilateral debt service by

Table 2.9 External debt of Sub-Saharan African Countries* 1980-85 (in US $ bn)

	1970	1980	1981	1982	1983	1984	1985	As a % 1985 total
Total	-	55.357	63.117	68.019	76.894	78.219	85.590	
Long Term Debt	5.753	43.910	49.189	55.393	61.461	62.046	67.979	79.4
Short Term Debt		9.480	10.498	8.628	10.344	10.914	11.603	13.5
Use of IMF Cred.	0.106	1.966	3.428	3.997	5.088	5.258	6.008	7.0
Official Credit. (outstanding and (disbursed)	3.536	24.409	27.094	30.308	34.983	37.342	42.286	49.4
Multilateral	0.842	8.503	9.801	11.485	12.997	14.579	26.810	19.6
IBRD	0.590	2.548	2.854	3.327	3.876	4.633	5.005	5.8
IDA	0.225	2.571	3.089	3.752	4.350	5.045	6.024	7.0
Bilateral	2.694	15.905	17.292	18.823	21.986	22.763	25.476	29.7
Private Credit. (outstanding and disbursed)	1.898	16.655	18.862	21.689	23.049	21.067	22.813	26.6
Suppliers	0.750	3.395	3.728	3.809	3.511	3.207	4.447	5.1
Financial Mark.	0.711	13.246	15.131	17.869	19.530	17.849	18.351	21.4
Growth of Total Debt (% p.a)	-	-	14.0	7.8	13.0	17.21	9.4	-

1 Excluding South Africa
Source: Based on World Bank, World Bank Tables, 1986/87 p.31. Quoted In Commonwealth Secretariat 1987, "Reinforcing International Support For African Recovery And development," p.30

about 40 per cent, or 37 per cent the region's total debt service burden.

The debt crisis of the 1980s was not only reflected in the size of debt accummulated, but also in the inability of African states to meet their debt service obligations. Their export earnings continued to decline as trade deficits rose from $679 million in 1970 to $4.6 billion by 1984.(52) The generalised inflation in the world economy increased the import bill and encouraged the accumulation of debt. The structural orientation of the African economy towards the world economy, and dependence on foreign exchange and foreign capital meant that African countries had to resort to further external borrowing to try to solve the larger economic crisis. A trap or vicious cycle had thus been created with respect to debt as was the case with the cycle of underdevelopment discussed above. It is in this sense that the debt crisis in Africa is an aspect of the crisis of underdevelopment in the region.

However, as we discussed in the previous chapter, there was a significant decline in most sources of external financial flows to Africa in the 1980s when the crisis became severe and the need for external finance dire. This situation called for a solution that would address the crisis in economy generally including the debt problem. This time too, there was urgency in the situation. There had to be a departure from the Cancun-type strategy of solving the Third World economic crisis. The debt crisis changed all that, especially since the Mexican crisis of 1982. It is in this sense that a link can be made between the debt crisis in Africa and the programmes of structural adjustment in the 1980s.

The debt crisis, along with the structures of underdevelopment,adversely affected Africa's development efforts. The African economy was threatened with retrogression, as the declines in performance, which set in during the 1970s, continued unchecked. Even in cases where progress was achieved in the 1970s such as education, health and other areas, there was now a stark possibility of a reversal of these gains. This alarming development called for immediate action and eventually, a lasting solution. In response to this demand, solutions were proferred by African countries as well as their western creditors, including the World Bank and the IMF. The internationalisation of the African and Third World crisis has generated a lively, sometimes acrimonious debate in the development community with participants proferring different solutions which are often influenced by their interests.

In the light of all this activity and debate, the crucial issue remains the extent to which the solutions proferred adequately address the African crisis and their capacity to have a positive impact on the situation. This is the point we take up in the next chapter. What we have done here is to provide an analysis of the African crisis as the background against which the appropriateness or otherwise of structural adjustment as advocated by the World Bank and the IMF should be measured.

Notes and References

1. Julius Nyang'oro makes this point clearly in his European examples. See, his **The State And Capitalist Development in Africa: Declining Political Economies** 1989; London (Praeger) p.31-34.

2. See, Robert Gilpin; **The Political Economy of International Relations.** Princeton (Princeton University Press) 1987, p266

3. The World Bank; **Accelerated Development in Sub-Saharan Africa: An Agenda for Action.** 1981, p.4

4. UN Economic Commission for Africa; **African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation,E/ECA/CM.15/6/Rev.3,** 1989,p.1.

5. **Ibid.**

6. Claude Ake; **A Political Economy of Africa,** London (Longman) 1981, p.32.

7. **Ibid** p.35.

8. **Ibid** p.36.

9. See especially, Bade Onimode; **A Political Economy of the African Crisis,** London (IFAA-Zed),1988 p.18; and Ake, Opcit p.43.

10. See Nyang'oro, **Opcit** p.121. This is also a useful discussion on the subject and I have benefited from the insights it provides.

11. Ake, **Ibid,** especially chapter 5, and UNECA **Opcit** p.2

12. UNECA **Ibid** p.3

13. Ake, 1981, p.135

14. UNECA 1989, **Opcit** p.5

15. Ake, 1981 p.136

16. **Ibid.**

17. UNECA 1989, **Opcit** p.3

18. This section is an extension of the discussion in chapter one, except that here, the emphasis is on the interaction between the external factors and the domestic environment to cause the crisis within the region.

19. See, Donald L. Sparks; "Economic Trends in Africa South of the Sahara,1987" in **Africa South of the Sahara 1988,** (Europa) p.22

20. Thomas M. Callaghy, "Debt and Structural Adjustment in Africa: Realities And Possibilities", in **ISSUE** Vol.xvl/2 1988, p.11

21. See, The World Bank; **Accelerated Development in Sub-Saharan Africa,** 1981, p.157, especially Table 15; and UNECA 1989, **Opcit** p.16-19.

22. UN Economic Commission for Africa; **Report on Africa 1989,** p.16

23. Chandra Hardy; "African Agony", in **Africa Events,** July 1990 p.30

24. United Nations; **Financing Africa's Recovery;** Report and Recommendations of the Secretary-General's Advisory Group on Financial Flows for Africa, p.40

25. World Federation of Trade Unions; "Africa's External Debt: Its Impact on Economic and Social Development and the Role of Trade Unions" in A Background Paper to the **African Trade Union Conference on the External Debt Servicing of African Countries,** Addis Ababa (Ethiopia), 8-10 December 1987, p.12

26. Onimode 1988, **Opcit,** p.58

27. See, Susan George; **A Fate Worse Than Debt,** London (Penguin) 1988, p.19-21

28. See, Osvaldo Sunkel; "The Transnational Corporate System", in **Links** issue 24 1986, p.8

29. Abdu Rahman Babu; "Into Second Gear", **Africa Events,** 1990 p.21

30. See, Nyang'oro **Opcit,** p.127-137; and Thomas M. Callaghy; "Lost Between State and Market: The Politics of Economic Adjustment in Ghana, Zambia, and Nigeria" in Joan M. Nelson (ed) **Economic Crisis and Policy Choice: The Politics of**

Adjustment in the Third World , New Jersey (Priceton University Press) 1990, p.258

31. **Ibid.**

32. **Ibid.**

33. Susan George **Opcit,** p.14-15

34. **Ibid.**

35. Onimode 1988, p.134

36. Richard Higgott, "Africa and the New International Division of Labour",in John Ravenhill (ed) **Africa in Economic Crisis,** London (Macmillan) 1986, p.292

37. Nyang'oro **Opcit,** p.136

38. See Donald L. Sparks, **Opcit** p.22

39. Susan George 1988, p.21-24

40. World Federation of Trade Unions 1987, **Opcit,**p.14

41. This point was strongly argued by Susan George, **Opcit,** p.20

42. Donald L. Sparks, **Opcit,** p.22

43. International Labour Organisation, "Unemployment and Other Social Consequences of the Debt Crisis in Africa", 1987, p.9

44. Percy S. Mistry, "The Problem of 'Official' Debt" 1989, p.18

45. **Ibid**, p.3

46. UN Economic Commission for Africa; "The Historical Profile of External Indebtedness of African Countries in Relation to the Economic Crisis of the Continent", 1987, p.4

47. **Ibid.**

48. **Ibid**, p.5

49. **Ibid.**

50. Percy Mistry, **Opcit**, p.6

51. See, Organisation of African Trade Union Unity(OATUU): "OATUU's Basic Document on African External Debt and Debt-Servicing in Africa", Addis Ababa, December 1987, p.4

52. **Ibid**, p.6

Chapter 3

The International Politics of Structural Adjustment in Africa

The ever mounting African debts as well as the inability of these countries to service these debts, was a strong indication of the magnitude of the crisis into which Africa would find itself in the 1980's and beyond. Arising out of some in-appropriate policies which were undertaken in the 1970's such as borrowing to finance projects, and most importantly, the world recession which set in as a result of the second oil shock in 1979, the impending severe crisis confronted all concerned with development in Africa. Unlike the first oil shock in 1974 which was accompanied by a rise in commodity prices and lending on easy terms, the second shock in 1979 led to the opposite effects. Commodity prices collapsed, world interest rates rose and lending dried up, all of which created negative balances in external accounts and increased debts. Also, as recovery became difficult to achieve even in Western economies (Africa's major trading partners and creditors), the situation on the African continent became desperate.

Efforts were initiated by both creditor and debtor countries to arrest the crisis and stimulate a recovery. However, disagreements developed between the creditor and debtor countries on the causes of the crisis and how it should be resolved. Once again, this area of North-South economic relations became a subject of intense political debate and activity which saw each side advocating a position suitable to its interests. The international politics on the resolution of the African crisis is what today exists in the form of Structural Adjustment Programmes (SAPs) in Africa under the supervision of the World Bank and the IMF. Despite the existence of an African view on how the crisis should be handled, it is the World Bank that dominated development thinking in Africa in the 1980's. Its position of influence, arising from its extensive involvement in Africa in the past, gave the World Bank great advantage in the political process of resolving the economic crisis .

The World Bank's past roles in Africa as the major project-lender, mobiliser of external finance, and provider of advice and technical assistance; now gave it an influential position as the "pusher of policy reforms", as seen in its Structural Adjustment Loans (SALs) and other policy-based loans introduced in the 1980's. Its major shareholders, who are also Africa's other major creditors,found it convenient to use the World Bank to push through the kind of policy reforms approved by them. In practice, what has happened is that the World Bank has worked closely with IMF (through the Baker Plan)and the Paris Club to implement SAPs in Africa. The World Bank has been so successful in influencing African governments to adopt structural adjustment programmes without attracting the kind of hostility which the IMF usually does,that most bilateral donors have been convinced to channel a significant amount oftheir aid for Africa through it. Even Nordic countries now channel all their aid to Africa through the World Bank. This degree of Northern unity on how to handle the crisis in Africa can be seen in the persistent conditionalities and cross-conditionalities and performance criteria which the IMF and the World Bank attach to their structural adjustment facilities or loans to Africa as well as on debt-reschedulings carried out by the Paris Club.

It is this influential (even powerful) position of the World Bank as the institution Africa which has more experience then other development agencies in dealing with Africa's development problems, which persuaded African governments to request the Bank to undertake a study of the crisis situation on the continent and recommend way to tackle it. The outcome of this exercise was the imposition of the World/IMF-sponsored SAPs on African countries despite their initial hostile reaction .

In this chapter, we investigate the political basis on which SAPs were designed and implemented in Africa. The difference in approach to the crisis adopted by the Western and the African states are also contrasted and discussed within the context of the growing transformation of the international economy which is affecting the fortunes and interests of the Western economies differently from those of Africa. The role and significance of the involvement of the Bretton Woods institutions in Structural Adjustment Programmes in Africa is also addressed in the light of both their roles in the World economy and in its transformation. The debate which the World Bank (and IMF) SAPs have generated is also reviewed. The issues raised are discussed and alternative policy prescriptions are considered.

The African Response to the Economic Crisis

By the end of the 1970's the secular declines which African countries had experienced were quickly turning into a major economic crisis in the 1980's. The situation was made worse by the sudden adverse developments in the World economy. These included the dramatic escalation in energy prices in 1979, which led to generalised world inflation, worsening terms of trade, huge debts and balance of payments deficits. From this point, the outlook for the 1980's was very bleak as Africa's crisis became pervasive. This situation clearly alarmed African leaders and they set about formulating the strategy to handle the crisis. While they requested the World Bank to study the situation and advise them on how to handle it, they also carried out their own analysis and came up with their own strategy of dealing with the crisis. This came in the form of the **Monrovia Strategy**, and led to the **Lagos Plan of**

Action which was adopted at a Special OAU Summit on the African economic crisis in April 1980. The **Lagos Plan of Action** also became Africa's regional approach to what was seen as the economic decolonisation of the continent as well as the basis for its reconstruction and development.(1)

This African analysis recognised the immediate causes of the crisis to include the collapse of the commodity markets and deteriorating global economic environment, the debt crisis and the widespread and persistent drought of the 1980's. However, these were seen as the result of Africa's

> Underdevelopment and economic backwardness; its failure to achieve a clear break from its unenviable colonial economic inheritance and pursue instead a normative development path. Therefore, until a structural adjustment that will install a self-reliant and internally generating process of development can be achieved Africa will continue to move from one crisis to another.(2)

In contrast to the World Bank's Berg Report,the Monrovia Strategy and the **Lagos Plan of Action (LPA)** emerged from a theoretical foundation which was embedded in an African economic nationalism and influenced by the failure to achieve a new international economic order (NIEO). The frustration encountered in the struggle for a world economic order which would give justice to Third World countries, recommended to Africa a different route to economic survival. The authors of this approach

> ...argued for a complete departure from the past and the substitution of an inward-looking development strategy for the inherited externally oriented one.But even more

> significant is the fact that we were putting forward a strategy that does not suffer from the limitations of foreign ideologies. This new strategy also puts the development of the domestic market rather than dependence on foreign markets at the heart of Africa's development effort.(3)

In this sense, the LPA is a rejection of the existing wisdom on how these countries were promoting development. A different set of factors was now to be used to facilitate reconstruction and development. Thisshift away from the modernisation paradigm , is forcefully justified by Adedeji :

> We had moved the discussion of engineering socio-economic change away from the usual parameters of trade gaps, savings gaps, investment gaps,growth rates in GDP, and per capita income, and instead concentrated attention on natural resource availability, local entrepreneurship, skilled manpower, technology, the domestic and intra-African markets, and the quality of life...we have argued as forcefully as we could that the central concern of development must be individuals,not abstracts such as GDP, per capita growth rates,or investment and savings gaps.(4)

Thus, the African approach laid emphasis on the need for continental cooperation and self-reliance. In the **Monrovia Declaration** the leaders committed themselves, to (a) national and collective self-reliance; (b) self-sufficiency in food production and supply; (c) the development and maintenance of control over Africa's natural resources and environment; (d) the development of human resources in entrepreneurship, technical manpower and technological capabilities; (e) the development of transport and communication, and regional internal industrial base, among others.(5) It was these broad objectives which the LPA sought to implement eventually on a continental basis. That is why the LPA gives priority to such areas as the development of the most important sectors, skills and training and institutional development.

The LPA set aside for implementation priority sectors such as the development of food and agriculture(chapter 1). Other sectors include the setting up of new industries (chapter 2); transport and communication in chapter 7; development and control of natural resources (chapter 3); the protection of the environment, and similar issues. Also considered under separate heading was the issue of training and skills. This involves human resource development which is considered in Chapter 4; the employment of science and technology in development (Chapter 5); and the training of women to enable them to participate in development in Chapter 12. The LPA also gives priority to institutional development with the major area including the building up and strengthening of economic co-operation and the setting up of the new institutions (Chapter 8). Measures to develop and strengthen trade and financial institutions are contained also in Chapter 7. The important area of statistical data forms the subject of Chapter 13. Here, the planning and collection of statistics is to be strengthened while the population variable is to be integrated into the planning process. External economic relations and negotiation geared towards the realisation of a just international economic order, is taken up in Chapter 9.

The point should be made that the LPA is a long-term strategy which broadly provides a set of key priorities to be attained by the year 2000 when a continental common market is expected to be in place.(6) However, it was long on goals and short on specifics, and therefore did not outline any short-term measures to resolve the crisis. It is perhaps implied that any short-term measures taken must be consistent with the long-term objectives of self-reliance of the LPA. Besides, any specific mechanisms which African leaders might have had for implementing the LPA had to be acceptable to the Western countries and financial institutions on which Africa relied for the funds needed to generate recovery. The absence of specific mechanisms of implementating the LPA was a reflection of the need to secure the support of external donors and creditors.

The Western Response to the African Crisis

The response of the World Bank to the request by African members of its board for advice on how to resolve the worsening crisis, formed the initial position of the Western industrialised countries to the situation. It was consistent with the position taken at the Cancun summit in 1981 at which the industrialised Western countries insisted that Third World countries should re-order their domestic environments as a means of getting out of their economic mess. This position was constructed in a report released by the World Bank in 1981 entitled; **Accelerated Development in Sub-Saharan Africa; An Agenda for Action.**

Also known as the Berg Report (after its principal author), it saw the African economic crisis as one of stagnant or declining production seen in such areas as the GDP. It is also manifested in internal and external economic imbalance where budget deficits persist as is the case with external accounts and high debt-service obligations. The crisis was further reflected in the agricultural sector where per capita production has been on the decline. There is a deepening food dependency, and the continent's share of the world trade in agricultural commodities has also fallen. The Berg Report further saw the crisis as an institutional one in which government decision-making capacities have grown weaker. This is often seen in decisions on investment, expenditure for development projects, industrial policy and the like, where there is much inefficiency, waste, lack of coherence and corruption in state-owned parastatals.

The Berg Report traced the sources of this crisis to factors that are external, structural and domestic policy deficiencies. (7) The structural factors are said to have evolved from historical, geographical, political and climatic circumstances.

These include underdeveloped human resources, the economic disruption that accompanied decolonisation and post

> colonial consolidation, climatic and geographic factors hostile to development, and rapidly growing population. (8)

The external factors mainly had to do with higher energy prices, the stagnation in industrialised countries which slowed down the trade in primary products and led to adverse terms of trade and poor economic performance. These, the Berg Report argues, have been exacerbated by domestic policy deficiencies,

> of which three are critical. First, trade and exchange rate policies have over-protected industry, held back agriculture and absorbed much administrative capacity. Second, too little attention had been paid to administrative constraints in mobilising and managing resources for development; given the widespread weakness of planning, decision-making, and management capacities, public sectors frequently become over-extended. Third, there has been a consistent bias against agriculture in price, tax, and exchange rate policies. (9)

On the basis of this analysis, the Berg Report advocated policy reforms of a structural nature. Notable among them were: "(1) more suitable trade and exchange-rate policies; (2) increased efficiency of resource use in the public sector; and (3) improvement in agricultural policies." (10) The emphasis is therefore on domestic structural reforms even though it has been admitted that external factors played a part in causing the African crisis. However, recognising that these policy reforms were likely to attract formidable opposition within African countries, due to the hardships that would result from their imposition on the population, the Berg Report urged the donor community to significantly increase aid to African countries to cushion them against these expected obstacles.

The measures recommended by the Berg Report were contractionary and would involve massive retrenchment of workers, removal of subsidies on the prices of essential services and consequently massive price rises. In political terms, these were expensive measures for African countries to introduce, because powerful domestic interests would be hurt, and governments are usually sensitive to opposition from these groups. For instance, government is the main employer of labour as well as the provider of social services in Africa. And the local urban populations depend on the government for better amenities than rural dwellers. The jobs and the subsidised amenities enjoyed by the urban populations would be under attack from the reform measures, thereby making the situation politically explosive for governments. African countries would therefore require assistance to handle this problem as the Berg Report rightly argued. The assistance that was to be given for this purpose was to be tied to policy reform in recipient countries. This was how the structural adjustment programmes or economic recovery programme (ERP) currently going on in Africa under the supervision of the World Bank/IMF, was introduced as a political issue in the economic relations between Africa and her Western creditors.

The publication of the World Bank document created much controversy, not least in Africa where it was initially viewed with suspicion. This was largely because the Berg Report was seen as diametrically opposed to the LPA. For instance, while the Lagos Plan of Action aims to build self-reliant economies in Africa, the World Bank document

> appears dedicated to making the African countries as efficient as possible in their present roles as suppliers of primary commodities and importers of manufactured goods. (11)

It is this point that Elliot Berg himself seems to confirm when he says that the strategy recommended by the report "involves a fuller integration into the world economy, with renewed attention to exports and a review of the level and nature of industrial protection. (12)

Furthermore, while the Lagos Plan lays more emphasis on external factors as the causes of the African crisis, the World Bank treats them as peripheral and emphasises domestic factors instead. The LPA talks of promoting an internally-oriented development strategy which relies on local resources, while the Berg Report counters with externally-orientated growth through increased agricultural exports, financial inflows and the like. There is also a significant disagreement between the LPA and the Berg Report on the role of the state in economic development. The Lagos Plan of Action gives the state a significant role, while the Berg Report advocates curbing the role of the state. The significant level of incompatibility between the two documents at the time clearly reflected the conflicting interests of their sponsors.

However, from 1982 the international situation changed considerably enough to force African countries into line with the position of the World Bank document. A major contributory factor was the Mexican financial crisis of September 1982. The announcement by Mexico that it would be defaulting on its international interest payment created immediate panic among creditors and this led to a significant reduction in lending to the Third World. This shrinkage in external capital flows left the World Bank and the IMF as the only sources of external credit. Yet the World Bank and the IMF were already insisting on debtor countries undertaking the policy reforms designed by these institutions as a precondition for access to their loans as well as any subsequent assistance. The Western creditors endorsed these new policy reform conditions of the Bretton Woods institutions and used them in their dealings with the debtor countries through the Paris club on debt rescheduling. While there has been some movement on debt rescheduling with the Paris Club since the Toronto terms were agreed in 1988, the fact that such rescheduling is conditioned on the adoption of structural reforms by debtor countries, makes it difficult. Even bilateral aid programme had incorporated into them these reform conditions.

This development had a sobering effect on African countries which were now also in desperate need of external finance and debt relief. Left with no room to manoeuvre, the loud criticisms which welcomed the publication of the Berg Report from African lenders were silenced and replaced with a willingness to accept the reform conditions imposed by the

World Bank and the IMF. A clear reflection of this change can be seen in the acceptance of the World Bank position that domestic policy deficiencies significantly caused the crisis, as well as their willingness to implement the said policy reforms. (13) This shift towards the Western position by African countries is also reflected in such documents as **Africa's Priority Programme for Economic Recovery 1986-1990.** Even the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 (UNPAAERD) which was also adopted in 1986 as a mark of international solidarity with Africa, was essentially a concession to the Western position as was the APPER. Under this, African countries committed themselves to implementing structural reform measures in return for additional financial support promised by the international community.

On the side of the World Bank, these developments enabled it to give the impression of a consensus with African countries on how to tackle the crisis. It now sounded as though its position had shifted from that which attracted controversy and criticism in 1981, to being an advocate of "development with growth". The harsh criticisms it levelled on African countries in the Berg Report were also toned down in its subsequent publications. (14) However, in reality it had not changed or shifted its position because,

> Policy reform, which had been the keynote of the initial study,remained the dominant focus throughout this unusual series of reports. Although the Banks gently shifted from unilaterally prescribing policy reform to the position

> that is merely pushing for changes which the Africans themselves had already decided were needed, the overriding impression gleaned from the series is that the World Bank is far more sold on the efficacy of policy reforms than are the Africans. (15)

The success of the Western creditors in handling the Mexican crisis in 1982 strengthened their hand in dealing with the rescheduling of Third World debts elsewhere. They also successfully resisted the pressure put on them to treat Third World indebtedness as a threat to the international financial system which required an international strategy to resolve. Instead, they insisted on a case-by-case approach to the debt problem and imposed conditionality before agreeing to reschedule any debts. Consequently,they also successfully resisted the idea of debt-forgiveness or its conversion into grants or even the provision of any new money to these countries.

All new proposals that they put forward wereaimed at getting the debtor countries to service their loans and subject their economies to market forces. These proposals therefore sought to preserve the power of the creditors in the World economy by maintaining the burden of adjustment on countries of Africa and the Third World. A detailed assessment of their proposals on handling the economic crisis in Third World countries clearly reveals this preoccupation with sustaining the structural adjustment programmes even if the need to mitigate the adverse effects of the programmes is now recognised. (16) Very often, these proposals did not go far in this direction either in their content or their implementation.

One example of this Western response to the economic crisis in the Third World is the Baker Plan. This Plan, launched by the then Secretary of the US Treasury, James Baker, at the annual World Bank/IMF conference in October 1985, was a significant shift in the US position on the debt crisis. For the first time the US admitted that such a crisis existed. (17) Otherwise, it merely reinforced the existing Western strategy of dealing with the debt crisis through the IMF and the World Bank. The Baker Plan further legitimised IMF conditionality and committed its implementation to the IMF and the World Bank through their joint operation of the Structural Adjustment Facility (SAF). Essentially, the Baker Plan proposed the following:

> (i) Commercial banks should loan another $20 billion over a three-year period (1986-9) to the fifteen largest debtors;
> (ii) Official multilateral financial institutions should increase their lending by 50 per cent above 1985 levels to $9 billion during the same period, with the World Bank making the biggest effort; this makes a total of $29 billion, or under $10 billion a year;
> (iii) the $2.7 billion/IMF Trust Fund should be used as a new borrowing facility for the poorest (mostly African) countries with annual per capita income below $550. (18)

The debtor countries were expected to adhere to very hard conditions in return for this assistance. These included the liberalisation of trade; removal of controls that hamper foreign private investment; the reduction of government involvement in the economy; and increase in exports. Compliance with these conditions was essential if debtor countries were to have access to this new facility. The consequence of non-compliance with these conditions was clearly spelt out in the warning issued by Mr. Baker in his Seoul speech that,

> Countries which are not prepared to undertake basic adjustments and work within the framework of the case-by-case debt strategy, co-operating with the international financial institutions, cannot expect to benefit from this three-point program. Additional lending will not occur. Efforts by any country to 'go it alone' are likely to seriously damage its prospects for future growth. (19)

However, the Baker Plan did not succeed in reviving growth with adjustment in debtor countries, during the period it was in operation between 1985 - 1988. Inspite of the fact that the World Bank assumed more responsibility for providing new finance, this was not forthcoming. The continuing use of conditionalities and performance criteria prevented the debtor countries from receiving new money in adequate amounts to revive growth. Also, the Baker Plan did not ease the debt burden of debtors; only Cote d'Ivoire, Morocco and Nigeria were included in the plan, and it was severely criticised for this shortcoming. One notable critic was Senator Bradley of the United States who unveiled his own plan in 1986. The failure of the Baker Plan to provide debt relief was attacked by Bradley:

> Since the Baker Plan calls for new loans instead of interest-rate and debt relief, it creates more debt, not less. This will increase the already precarious exposure of banks to a possible default. And adding to the debt burden of these countries will discourage new investment

> and increase capital flight. In other words, the Plan prolongs the policies that created the debt crisis in the first place. (20)

And even though Bradley has attacked the Baker Plan this way and has even advocated debt relief and forgiveness, he agrees with Baker on a free-market approach and conditionality to tackle the debt problem. Bradley has thus taken this position not because of the effects the Baker Plan would have on the Third World, but also the suffering that would be visited on the North, especially the United States. One of Bradley's main concerns was to stem the tide of massive exports of Third World goods to the US, which he saw as unwanted and harmful competition. He therefore advocated the kind of assistance to the Third World which would generate internal growth rather than turn them into major US competitors as they try to export more in order to meet their debt obligations. He thus proposed that debtor countries be granted relief each year for three years in this form:

> - three percentage points of interest-rate relief on all outstanding debt owed to banks and governments;
> - 3 per cent write-down and forgiveness of principal on all outstanding loans;
> - $3 billion worth of project and/or structural adjustment loans from multilateral lending institutions, particularly the World Bank. (21)

The Bradley proposals did not impress the major creditors who have continued to resist the idea of debt-forgiveness or conversion into grants. The creditors, acting through the IMF, World Bank and the Paris Club, continued to insist on the path of structural adjustment in debtor-countries' economies as the chief means of managing the debt crisis. However, the apparent failure of the Baker Plan and the worsening debt situation in the developing countries forced a change of attitude in the creditors towards the question of debt relief and debt-forgiveness, resulting in some movement on it.(22) This came in the form of the Brady initiative, unveiled by US Treasury Secretary Nicholas Brady in April 1989. The Brady initiative was the first attempt by the creditors to achieve debt reduction systematically. The target of debt reduction was set at 20 per cent overall, even though for half of that amount reduction was to be done voluntarily. The target of 20 per cent reduction has been seen as unrealistic, too little and too late, in view of the worsening debt situation in the developing countries. It is instructive to look at the logic and objectives of structural adjustment to understand the interests behind the position taken by the various groups of countries involved in the politics of structural adjustment. Furthermore the involvement of the World Bank and the IMF with SAPs in structural adjustment needs to be critically investigated to reveal the extent to which they serve the interests of creditor-countries at the expense of the economic recovery and development of Africa. This way, the cover of neutrality under which they operate can be removed for the interests which they serve to be clearly brought out.

The Bretton Woods Institutions and Structural Adjustment in Africa

Africa has now been made a major target of World Bank and IMF activities as a result of the crisis which has persisted in the 1980's. So much is this involvement that the presence of these Bretton Woods Institutions is as pervasive as the crisis afflicting the continent today. The institutions and the economic crisis now seem to co-exist as two sides of a major problem in Africa. The involvement of the World Bank and the IMF in Africa goes far back to the colonial era, even though this has intensified in the 1980s. Before the 1980s an institution such as the World Bank was involved in programmes which were aimed at alleviating poverty and promoting growth. This was the case with the Bank's Agricultural Projects (ADPs) and even infrastructural development. The IMF mainly concerned itself with the balance of payment surveillance. But these activities were on a small scale compared to the situation since 1979. For example, IMF credit to Sub-Saharan Africa between 1970 and 1978 accounted for only 3 per cent of its financing facilities. (23) But this rose significantly in the 1980s with most of it directed towards supporting the structural adjustment programmes as we show below.

From this modest involvement, the IMF significantly stepped up its activities as the crisis unfolded in the 1980s. Many Fund financing facilities such as the standby arrangement

(SBA) and the Extended Fund Facility (EFF) were increasingly used to provide credit to Sub-Saharan Africa. In the case of the Standby arrangement which usually runs for one year, it has been adapted or used in conjunction with other facilities to make loan arrangements longer. Thus, from a modest SDR 0,15 billion amount of credit made available to Africa at the end of 1977, it rapidly increased to SDR 4.4 billion at the end of 1984, and peaked at SDR 4.7 billion at the end of 1985 before declining to SDR 4.5 billion one year later. (24) By 1986 when the Structural Adjustment Facility (SAF) was introduced, the IMF was already a major creditor to Africa but it was also a major recipient of resources from the continent.

The World Bank also shifted its area of activity away from the medium- and long-term project lending to policy leading since 1979. This came with the introduction of Sectoral Adjustment loans (SECALs) in 1979 and Structural Adjustment Loans (SALs) in 1980. The use of these two types of credit facilities was to support comprehensive policy and institutional reforms both within a sector and in the economy as a whole. Conditionality was attached to them, with the use of SECALs requiring an agreement of "specific monitorable program..." and SALs, an agreement on "effective stabilisation program". (25) This development also led to a steep rise in the level of World Bank lending under both arrangements. For instance, out of a total of 52 SECALs committed in the period 1979 to 1986, 25 were granted to Sub-Saharan Africa. (26) The

SAL has also been widely used because of its quick disbursing nature and also that it is used directly to support government budgets, imports, as well as debt-servicing.

Moreover, when account is taken of the fact that the global crisis of the 1970s has transformed the international economy into a trans-national system it becomes very clear how significant the Berg Report was. What is unique about trans-nationalisation the structuralists argue, is,the emergence of a system more powerful than national government and "overlapping national states **de facto** and even **de jure**", (27) and the fact that the US economy remains a hegemonic part of this system. As Osvaldo Sunkel has asserted,

> The interests of trans-national capitalism require the restructuring of both the world economy and its core, the United States economy, so that they can become mutually compatible and functional to the further progress of the trans-nationalisation process. The aim would be the elimination (or renovation) of those branches of the United States economy which are no longer internationally competitive... On the other hand, structural adjustments are being pressed on developing countries which would encourage them to concentrate on internationally competitive branches and open up to the more efficient and dynamic science-and-technology-based industries and services located mainly in the United States, but also in other home countries of TNCs. (28)

The internationalisation of production has meant that accumulation has become the dominant determinant of such issues as the level of industrialisation in the Third World (29) and also the movement of investment. The internationalisation of production has also increasingly meant that African countries are unable to pursue their interests when these run counter to the logic of accumulation which determines the movement of capital . The implication of this is that to have an international economy operated by market forces in the context of the current crisis,

> ... national adjustment at the state or sub-state level in the Third World is seen as much more important than global adjustment, or more plainly, movement towards a New International Economic Order. (30)

It is in this respect that the World Bank's Strategy of Structural Adjustment as argued in the Berg Report has recommended among other things, the pursuit of recovery through export-led growth and curbing of the role of the state in the economy. To this extent, the Berg Report was a significant representation of the position of the major Western economic powers on the global crisis. Also, it has been argued that this World Bank document prepared "the way for the unprecedented seizure by the donor community of the levers of policy in the beleaguered nations of Africa." (31) And that the choice of the Bretton Woods institutions to supervise SAPs in Africa was therefore, necessary. Furthermore, it is also observed that the IMF and World Bank are safer political instruments to use because of the influence they wield in the international financial system. As financial institutions which operate as business outfits themselves, they have experience in dealing with, and have influence on, the Third World countries; a situation that has been helped by their perception as politically neutral bodies. Moreover, their dominant role in the World economy since 1945 makes them appropriate instruments to be used in addressing the current crisis.

The Bretton Woods institutions are therefore said to be more concerned with the goal of constructing a "World system where capital and trade flows are free from national controls and the role of national states in finance and investment is cut back." (32) That the need for national growth is treated as secondary, even though adjustment programmes are imposed as necessary prerequisites to enable these debtor countries to achieve viable growth.

To help the institutions attain the above objective, so the argument runs, they have acquired the power todictate the policies of debtor states through the need to secure the approval of the IMF as a precondition for access to external finance from both official and private sources. Furthermore, they are seen as taking advantage of the vulnerable position of these countries, "because balance of payments financing and the external financing of development projects and programmes are necessary requirement for individual countries' development strategies". (33) With all other sources of external finance now unavailable, African countries have been left at the mercy of the IMF and World Bank as the only sources of external finance and relief even though their terms are difficult. The use of cross-conditionality between the World Bank and the IMF is seen by some critics as an evidence of this situation.

The term conditionality refers to the macro-economic policies which countries have to meet in order to qualify for loans from the IMF and other international sources. Usually, the World Bank also attaches the same conditions which the IMF has imposed on a given country, for its own loans such as the SALs. When conditions are imposed on the same country by either of these institutions in addition to those of the other, it is described as cross-conditionality. The IMF and the World Bank have often applied the same conditions on a country if they are both involved with structural reforms.

Backed by its charter which proclaims the IMF's objectives,among others, to 'seek the elimination of exchange restrictions that hinder the growth of world trade'; the Fund, Harris asserts, has had the power to operate the World economy towards this overriding goal of the growth and development of world trade. This means that states which have lost their purchasing power or credit worthiness must be helped to regain it so that they can continue to buy in the market. As has been argued,

> Countries that consistently import more than they export needed financial help so as not to withdraw from trade. No loans, no purchases. IMF intervention not only maintains them as participants in world markets but also, through adjustment programmes, forces them to **increase** that participation, even if this is demonstrably against the best interests of the people concerned. (34)

The process of ensuring the continued participation of these poor and heavily indebted countries in the world market has been by promoting the policy of growth through trade. Thus, "between 1980 and 1988, thirty-three African countries had concluded Standby Arrangement Facilities and twelve had Extended Fund Facility from the IMF and fifteen had Structural Adjustment loans from the World Bank".(35) To adequately assess the impact of the SAPs on Africa's economies, it is necessary to first look at the debate on the theoretical foundation of these policies as well as their contents. It is to this debate that we now turn.

A Review of the Structural Adjustment Debate

The release of the Berg Report by the World Bank in 1981 kindled an intense debate over how best to tackle the economic crisis in Africa in the 1980s. As an antithesis to the African position expressed in the Lagos Plan of Action, it naturally attracted angry criticism and even condemnation from Africa.(36) Also, as the position supported by the powerful industrial capitalist countries, the World Bank document easily took the centre stage and effectively dislodged the LPA from the agenda of the development debate. The failure of African governments to take the action needed to implement the LPA helped to push it to the sidelines. In reality, without massive external assistance towards its implementation,the LPA was no more than a declaration of intention or a dream . African states were hardly in a position to act on the LPA, because they lacked the resources to do so. In contrast, the Berg Report contained clear and specific policy measures which could be implemented relatively easily, and had the full support of the major economic powers. The Berg Report was therefore transformed into the major policy document on tackling the African Crisis. For this, it received much more attention (some critical) from many quarters. It is in this context that the debate is assessed. We look at the kind of issues which have been raised and the areas of agreement and differences.

The debate is mainly between the orthodox school on the one hand and a variety of alternative explanations on the other. The Bretton Woods institutions and their major shareholders like the USA, Britain, Japan and West Germany have been the exponents of orthodoxy which they have been implementing through SAPs in Africa. Challenging this position is a body of critics which includes structuralists, officials from African countries, staff of international institutions, non-governmental organisations, etc. The debate has been bitter sometimes, and the focus has mainly been on:

> ... the pace and sequencing of measures to open economies to international markets, the appropriate roles and limits of states and markets in promoting growth and other national objectives, and the allocation of transitional costs. (37)

The theoretical basis of the orthodox IMF/World Bank type of Structural Adjustment is to be found in classical economic theory and monetarism. The basic argument here is that,

> ...output, employment, and prices (including wages, interest rates and the exchange rates) are best determined by the free play of market forces, and that prices are the most effective instruments for the efficient allocation of resources. The argument is, of course, based on the assumption that economic structures are time invariant and sufficiently flexible so that demand and supply changes respond promptly to market signals. (38)

Thus, the African economic crisis has been analysed as originating from the fact that "the level of domestic consumption relative to domestic production capacity is too high". (39) In other words, a country in this position is said to be living above its means, and this leads to huge budget deficits, external imbalances and indebtedness. Therefore, the only way to tackle this problem of excessive aggregate domestic demand caused by excessive credit expansion, is through a general squeeze in domestic aggregate demand. This is further necessitated by the terrible economic state in which these countries have found themselves in the 1980s. In the external environment, they have experienced declining export commodity prices; increases in world interest rates, and the virtual drying-up of foreign financial inflows. This resulted in increased cost of borrowing, increased scarcity of foreign exchange in the domestic economy, high rates of inflation and the like. It is further argued that countries in this situation need to recover their credit-worthiness by attaining a new and sustainable external asset equilibrium.

The Structural Adjustment programme is seen as the best approach towards resolving this crisis. In this respect, therefore, adjustment has been defined

> As the adaptation of consumption patterns, the reallocation of resources and the changes in factor accumulation necessary to recover sustained growth in the face of a more adverse external environment. (40)

It is expected that adjustment will improve the current account position through expenditure reduction by curtailing domestic consumption of goods which can be traded internationally, and by expenditure-switching policies that change the prices of these goods relative to non-traded goods. This way, imports are reduced and exports increased, thereby improving the trade balance. The reduction in domestic demand will also be done through monetary credit squeeze.

The IMF and the World Bank have supported Structural Adjustment programmes either separately or jointly in about thirty-three African countries. Since 1980 the IMF has supported adjustment programmes in Africa through upper-credit tranche standby arrangements, extended facilities, Structural Adjustment facility, and the Enhanced Structural Adjustment facility. Initially, these arrangements were seen as balance of payments support measures intended to last between one to two years. Since the mid-1980s when these institutions began to accept the idea of adjustment with growth, the period of support scheme was extended. The IMF mainly focussed its attention on the reduction of deficits in the current accounts balance of payments and the elimination of deficit financing. The World Bank also complemented the activities of the IMF by concerning itself with the reduction in size of the public sector as well as improving managerial efficiency; the elimination of price distortions in the economy; the liberalisation of trade, export promotion and domestic savings.

The degree of co-operation between the IMF and the World Bank is represented by the conditionality and cross-conditionality which they impose on countries as the price they have to pay in order to have access to external loans. This conditionality has been extended by the World Bank into sectoral, institutional and other micro-economic levels before it gives SECALs and SALs to countries. This conditionality translates into the following policy instruments;

> (a) exchange rate adjustment, mainly through devaluation;
> (b) interest rate policy designed to promote domestic savings and appropriate allocation of resources;
> (c) control of money supply and credit;
> (d) fiscal policy aimed at reducing government expenditure deficits financing;
> (e) trade and payment liberalisation, and
> (f) deregulation of prices of goods, services and factor inputs. (41)

Translated into action these policies are mainly trying to promote the greater use of market forces such as the creation of more open trade regimes and environment that permits the free flow of foreign private capital. It means that the currency must be devalued severely to stimulate exports by making them cheaper in foreign currency, and reduce imports by making them more expensive in local currency. Also real interest rates are used to help mobilise domestic savings by making borrowing very costly. These interest rates are also expected to be competitive internationally enough to encourage foreign capital inflows. (42) Prices are to be freely determined by the forces of supply and demand, and that means that subsidies must be abolished. There should also be a reduction in the role of the state in the economy through privatisation of parastatals. More incentives should be given to the private sector such as wage-freeze and the like to make it more attractive for capital to stay. It is these policies, as implemented by the IMF and the World Bank, with the support of their sponsors that have generated intensive debate throughout the 1980s as to their relevance to the African crisis.

The IMF-World Bank SAPs have been subjected to severe criticisms and even outright condemnation by many commentators. (43) This is in spite of the apparent agreement on all sides that African economies need Structural Adjustment. (44) There has been a measure of consensus on such issues as getting prices right, and even exchange rates. (45) However, the fundamental question which critics have asked is to what norm African economies are being structurally adjusted. (46) This and other areas have been taken up in the criticisms of SAP.

The significant point that has been made about the norm to which African economies are being adjusted is the view that IMF/World Bank SAPs contain in them the ideological preference for market forces. The transformation of the global economy to a stage in which production has been internationalised and accumulation and the movement of capital also likewise affected, has raised the need to create a market-orientated international economy. The free market orientation of SAP is to give international capital freedom of mobility without state intervention. Since the collapse of the Bretton Woods monetary system in the early 1970s, the IMF has been involved in the construction of a free market-orientated international economy. It is the objective of SAP to integrate African economies to the World economy this way. As Laurence Harris has argued:

> The international economy is not a free market economy where trade and capital movement are dictated by relative prices, market interest rates and free exchange rates. Although such variables do have a major influence they do so within a framework where market forces are fractured and controlled by states and multinational corporations, and this absence of laissez-faire has been the rule since the beginning of the capitalist world market. Thus, the IMF's objective, reflected in the conditions imposed on borrowers and requiring them to 'liberalise', is not so much to return those countries to a normal relationship with the international economy, it is not in fact to correct 'distortions' from the norm or, in the wider view, to maintain a free market international system. It is, instead, to construct such a system. (47)

In the same vein, the short-term character especially of IMF SAP, it has been argued, cannot solve Africa's structural problems, (48) even though the variables used may have long-term impacts on these economies. The need to go beyond day-today crisis management and adopt long-term goals has been emphasised. (49) Likewise it has also been argued that because of the structural problems facing Sub-Saharan African economies, their capacity to adjust is low and SAPs might not be expected to work well. That there are even theoretical reasons for this expected failure of the adjustment programmes. (50) The view that SAP measures are not suited to tackling Africa's problems but rather for more advanced economies, is held in high quarters in Africa. (51)

The pursuit of internal monetary balance and exchange rate adjustment as the central concern irrespective of the causes of disequilibrium in payments has also been attacked. (52) As Loxley has observed:

> Domestic demand restraint can be expected to have little impact either by way of reducing import expenditures or by freeing up local goods for expanded export earnings because the substitutability of traded for non-traded goods is generally quite low in SSA; imports do not compete with goods produced locally, while exports are not usually consumed locally to any significant degree. The possibilities of improving the balance of trade through expenditure switching are, therefore, quite limited. (53)

The choice of export-orientated growth as an SAP measure has received critical attention. It was attacked on the logic of the 'fallacy of composition', as it was argued that prices of primary commodities on world markets would be smaller not greater. Elliot Berg responds to this criticism by accepting that "not all countries will follow counsel to expand primary exports..", (54) and the World Bank has since abandoned its emphasis on primary commodity exports as a central component of structural adjustment. While maintaining that industrialisation is the way to enhance export earnings, Nyirabu has observed in this regard, (the logic of this is brought out in detail in our case studies) that

> efficient import-substitution and efficient export promotion are not alternatives, but necessary complements, if we are ever to regain external balance. (55)

However, Africa unlike the NICs of Asia, cannot successfully pursue export-orientated industrialisation because of such factors as high costs of skilled labour due to scarcity, lack of wage restraint and appropriate labour laws, and poor infrastructures compared to these countries. On the whole, Africa lacks the factors which have been critical in helping the NICs attain rapid industrialisation. These factors include;

> geographical location to facilitate quick movement of whole factories by trans-national corporations; political stability| pre-existing technological infrastructure from earlier ISI, coupled with full utilisation of capacity; the role of the state as guarantor of investment and as active participant. (56)

This has led to some people arguing that SAP will merely consolidate Africa's marginal position in the new international division of labour as a raw material producer.

Even on agriculture where there is agreement that this sector should lead economic recovery, unlike the World Bank, emphasis is laid on food production. This position has been justified on the grounds that increased food production would help save scarce foreign exchange; it would prevent changes taking place in food preferences as well as minimise dependence on food aid.(57) On pricing policy, several scholars have argued that price incentives will not increase exports, because there is hardly any room for expenditure switching and also because non-price factors often play a more crucial role in export expansion. Peasants, it is also argued, are more likely to increase production in response to incentive goods such as health, education, rural water supply and the like, rather than to higher prices which do not improve their income terms of trade. (58) And that a focus on prices alone may only worsen inflationary pressures. (59)

A related area is that of liberalisation of trade, which, it has also been argued, will not aid towards economic recovery in Sub-Saharan Africa. Instead, trade liberalisation simply opens up weak economies to powerful external economic forces to dominate. As Reginald Green has argued,

> Trade liberalisation rests on the assumption of relatively full employment globally and nationally. Clearly neither the world economy nor Sub-Saharan African economies in any way approximate to full employment. Protection and import-license allocation can promote higher domestic output than a liberal trade regime if they lead to full employment of domestic plants, raw materials and labour which would otherwise be unemployed... At present in Africa wholesale removal of industrial protection would mean wholesale de-industrialisation, not selective restructuring of the sector. (60)

Furthermore, it has been argued that credit policy only sets in inflationary pressures when used as an instrument of demand management. Even if it succeeds in improving the current account position, it is deflationary and will severely reduce investment and also the Capital Stock. (61) Also the establishment of positive real interest rates compounds the problem by causing inflation and even recession when these rates become a significant part of the total cost of production. Wage-demands are certain to result from such a development thereby pushing inflation higher. Savings, which are expected to rise because high interest rates have made it more profitable to save and more expensive to borrow, may not actually do so. (62)

Devaluation has been declared to be of dubious value in an African economy undertaking it as part of SAP. Critics are sceptical about the orthodox argument that devaluation stimulates exports and reduces imports by making them more expensive in the local currency as well as the local substitutes, while exporters are made cheaper. They assert that in the end, devaluation does not improve output, it instead deflates the economy by reducing critical imports. Large-scale devaluation harms the economy more.

> Furthermore, devaluation has a direct impact on inflation through increase in the domestic costs of imported inputs and/or reduces the quantities of inputs which are imported at higher prices, thus leading to under-utilisation of industrial capacity. (63)

As for the claim that the kind of devaluation demanded by the IMF will reduce the activities of the parallel and illegal markets; reduce leakages through smuggling; favourably impact on manufacturing balance; restore budgetary balance and increase the official foreign exchange resources; (64) it is argued that the African situation does contradict its validity. For instance, smuggling does not occur not only to get convertible currency but also to get around the controls imposed by governments on the import of luxury goods. Also, as Singh has found in Tanzania,

> ... with respect to the Parallel market for the foreign exchange, the primary determinant of demand in this market is the desire of a section of business community and other rich Tanzanians to repatriate some of their wealth abroad. The exchange rate of this market is not therefore determined by the underlying health of the economy or current account considerations, but by reasons of capital flight. (65)

The legitimacy of conditionality has also been questioned. Here, it is asserted that conditionality and cross-conditionality, performance criteria and the class nature of conditionality have tended to erode the sovereignty of reforming countries. Not only does conditionality open these states to interference in their economic policy-making process from the IMF, the World Bank and Paris Club, it is also used to satisfy the political interests of the most powerful members of these institutions. Thus, countries carrying out structural adjustment are having to surrender the right to take long-term economic decisions to devote most of the time and resources on day-to-day crisis management to fulfil conditionalities, cross-conditionalities and performance criteria before they can have their debts rescheduled or new loans given. Conditionality is also opposed for what is described as its class nature because often it is the well-to-do who implement the austerity measures that receive relief exemption while the majority of the people who did not contribute to the debt crisis are made to bear the burden of adjustment. (66) John Loxley observes that

> Fund programs make no attempt to guarantee employment levels nor to preserve or extend the provision of basic needs. They often have their most negative effects on low-income urban dwellers by raising unemployment, by cutting subsidies and government spending, and by raising inflation while restraining wage adjustments. But the rural poor may also be affected adversely by cuts in spending and may benefit little from changes in the internal terms of trade. (67)

Privatisation has also been a subject of contention. The privatisation component of SAP it has been argued, will not necessarily improve the performance of the hitherto inefficient public enterprises. Instead, it will only "tighten the grip of imperialist monopoly capital over the African economies". (68) Furthermore, the critics argue that the assumption that the private sector is superior to the public sector is not only without any theoretical foundation, it is also incorrect to argue that the indigenous private sector in Africa is strong enough to take over and efficiently run state enterprise. They point to the fact that

> In African countries, where this generally is not true, privatisation could lead to the take-over of these public enterprises by trans-national corporations thereby deepening further their external dependence. What is worse is the substitution of the profitability criterion for the social welfare criterion in vital areas such as, Water Supply in a continent where the majority of the population has no access to portable water. (69)

On the basis of the criticisms made above and the fact that SAPs normally put less emphasis on the supply side, it is argued that they will not achieve the goal of economic recovery and development in Africa. It is also asserted that it is difficult to conceive how African economies can recover through SAP, a programme which is fundamentally deflationary, because an economy which is experiencing declining per capita incomes cannot be expected to recover from its crisis if all that SAP does is deflate the economy. To reverse trends such as this there must be growth in per capita incomes. This will necessitate the fundamental revision of SAPs as they operate in Africa today.

Some of these criticisms of the SAPs were bound to have an influence on the IMF and the World Bank. The status of the critics would also have been a significant influence on the Bretton Woods institutions. As we have seen, some of them were influential academics,institutions which were closely involved in the development process in Africa, and African officials who were involved in the implementation of SAPs in their own countries. Thus, the Bretton Woods institutions were put on the defensive by these criticisms. The World Bank seemed to confirm, on 8 March 1989,this when it issued (with the UNDP) a report in defense of SAPs in Africa entitled, **Africa's Adjustment and Growth in the 1980s** . The World Bank's claims in this report drew a prompt critical response from the ECA thereby reflecting the sharp divisions between the IMF/World

Bank on the one hand and the OAU/ECA on the other, on the issues of SAPs . The ECA study was published in April 1989 under the title Statistics and Policies: ECA Preliminary Observations on the World Bank Report, Africa's Adjustment and Growth in the 1980s. We review the two positions here to demonstrate the rather acrimonious tone which the debate on SAPs had now assumed.

The World Bank report set out to show that the SAPs were working well in Sub-Saharan Africa, especially in those countries where the reforms were seriously implemented. (70) In its upbeat assessment of the situation in Africa, the report began by disagreeing with the common view of Africa "as a continent in unrelenting decline". It argued that

> On closer examination, however, the statistics commonly reported mask a more complex, less dismal picture. When recent trends are put in the longer perspective of the past 15 to 20 years - or when Sub-Saharan Africa is disaggregated into important country groups, including those that have, or have not, pursued significant policy reforms - the crisis seems less precipitous, and the road to recovery more obvious and more manageable. (71)

The World Bank also did not agree that external conditions were hostile to Sub-Saharan Africa. Instead, it argued that the region had in fact been more favoured by global conditions than other parts of the developing world. Thus, the sharp drop in the region's export earnings, financial flows, terms of trade, and capacity to import, since 1980 was seen as a return to the long-term trend rather than a persistent decline. Therefore, though export earnings fell, this was not drastic and most of the decline came from falling oil prices; the region's overall terms of trade were higher by about 15 per cent than in the early 1970s; and African non oil exporters have been better off than other developing regions, because tropical beverage prices remained relatively high. Moreover, Africa was said to have had more favourable access to industrial country markets than other developing regions; and receives more official foreign assistance and debt relief relative to its GDP and population than other regions. The World Bank concluded on the basis of this that Africa's crisis could not be satisfactorily explained as a result of hostile external environment.

The Bank saw domestic factors as the obstacles to adjustment. These domestic problems included high population growth, structural rigidities, and institutional weaknesses, as well as poor policies. Also, Africa's export growth is behind other regions; its non-oil export volumes have stagnated and manufactured exports have not grown; the market for primary commodities has shrunk and half of its 1970 world market had been lost by 1983. Other domestic constraints include government controls and restrictions; high exchange rates and over-valued currencies; weak and inadequate infrastructure; low rates of domestic savings and investment; weak manufacturing sector and limited technological options.

Despite these problems which the Bank enumerated, it still asserted that there were signs of a turn around. The region's GDP was said to have grown more than 2.3 per cent a year between 1985 and 1987. The Bank even argued that the GDP growth was better at 2.9 per cent when the five oil-exporting countries were excluded. Agriculture was said to have strongly improved with the annual rate of growth for 1985-88 tripling the average over the previous fifteen years. These improvements have been attributed by the World Bank to the implementation of SAPs by African governments. The World Bank asserts that governments which sustained strong reform programmes succeeded in improving their economic situation. These countries were also rewarded by donors with increased aid and debt relief, while countries which did not pursue reforms did not do well and saw a decline in net ODA. The Bank asserts categorically that

> ... When the performance of reforming countries is compared with that of non-reforming countries, there is evidence that the combination of reforms and added assistance has led to higher agricultural growth, faster export growth, stronger GDP growth, and larger investment - this is despite the less favourable terms of trade facing the reforming countries. (72)

The ECA challenged these World Bank conclusions on a number of issues. (73) The Bank report was criticised for adopting a narrow perspective by limiting itself to observing a few economic indicators in order to prove that countries with strong reforms and without shocks performed better than others. The classification of countries into those with strong, weak and no reform programmes was criticised as arbitrary. The ECA report also takes issue with the Bank's use of 1985 as the starting line of its assessment when SAPs have been in place since 1960; and not in line with the practice in other World Bank reports such as its **Adjustment Lending** (1988). The Bank report is said to be very misleading in its underlying assumptions, the compilation and analysis of data, its failure to include a data set for all countries so that conclusions can easily be checked. Furthermore, on the issue of data, the ECA has argued that the pitching of Sub-Saharan African oil-exporters against Sub-Saharan African oil-importers as the World Bank report has done is one-dimensional reasoning. Along with the use of varying base years for indicators even within the same table by the Bank report, the ECA has questioned the accuracy and validity of the statistical tables in Chapter Six of the Bank report.

Another objection which the ECA made to the Bank report was what it saw as the report's simplified approach to Africa's crisis. The Bank's assertion that Africa's crisis is "less precipitous" is seen as under-playing the persisting vulnerability of African economies due to dependence on international commodity and financial markets, official development assistance, etc. The Bank is also criticised for not treating the impacts of SAPs on social conditions, the social costs, and the welfare of the majority of people, in its report. This omission by the World Bank is seen as surprising because other findings such as the Khartoum Declaration, the report of the UN Secretary-General on the mid-term review of the implementation of UNPAAERD in 1988; findings of the ECA, UNICEF and ILO as well as their conclusions clearly show that orthodox SAPs have not only ignored the human dimension but also worsened the well-being of the majority of the population.

Moreover, the findings of the World Bank report are said to be at variance with the evidence presented by the Bank in two previous reports (**Beyond Adjustment 1988** and **Adjustment Lending** 1988). The ECA has asserted that its own re-compilation and analysis of World Bank GDP data reveals a different picture than the one presented in the Bank report. According to the ECA, its

> ... compilation shows that during 1980-1987 the performance of Sub-Saharan African countries with strong SAPs was the worst of any group; a negative annual average growth rate of -0.53 pre cent contrasted with a positive 2.00 per cent for countries with weak structural adjustment programmes and a relatively strong positive rate of 3.5 per cent for non-adjusting countries in Sub-Saharan Africa. The aggregation of these three growth rates amounts to a 0.24 per cent average growth rate from 1980-1987 for all Sub-Saharan countries. (74)

Therefore, the ECA accuses the World Bank of manipulating data in order to prove a predetermined position. Essentially, the report is seen as a political attempt by the Bank to put a brave face on SAPs which were already proving a failure in Sub-Saharan Africa.

The seriousness of the disagreements on the impacts of SAPs in Africa following the response of the ECA to the World Bank report led World Bank President, Barber Conable, to call a high-level meeting between officials of the UN, IMF, World Bank and African institutions. The meeting managed to achieve a truce, and a communique issued at the end of the meeting on 10 May 1989 put emphasis on:

- closer consultation between the UN, African regional organisations and the Bank and IMF on all important issues;
- the necessity for Africa to continue on the difficult course of reform;
- the necessary broadening of the adjustment process to integrate social and human dimensions and long-term objectives;
- commitment to the UN Programme of Action for African Economic Recovery and Development (UNPAAERD), particularly its sectoral priorities;
- the importance of institutional capacity building. (75)

This new understanding by these institutions not only to disagree but also to work towards a consensus, seemed to be reflected in the subsequent publication of documents by both the ECA and the World Bank. The ECA launched a report outlining the African position on how the crisis should be tackled, in July 1989, entitled **African Alternative Framework for Structural Adjustment Programmes for Socio-Economic Recovery and Transformation (AAF-SAP).** The AAF-SAP advocates a move beyond short-term adjustment and seeks a transformation of the structures of the economies responsible for the crisis. It therefore suggests general policy directions and specific policy options for countries to adapt to their local situations in the process of transformation.

The AAF-SAP expresses these policy directions and instruments in three modules. (76) The first module relates to the generation of factor products; and this is directed at enhancing production and efficient use of resources; at greater and efficient domestic resource mobilisation; at improving human resource capacity; scientific and technological development; and vertical and horizontal diversification. The second module stresses the allocation of factor income which involves creating a pragmatic balance between the public and private sectors; a conducive environment for sustainable development; shifting the use of resources away from non-productive areas; and improving the pattern of income distribution among different social groups and households. Finally, the third module is on the expenditure of income and it aims to attain food self-sufficiency; the reduction of import dependence; re-aligning consumption patterns with production patterns; and the management of debt and debt-servicing.

The World Bank on its part published a rather conciliatory document in November 1989, entitled **Sub-Saharan Africa; from Crisis to Sustainable Growth.** This document was the result of consultations between the Bank andmany organisations and individuals in Africa. Basically, the Bank called an end to its disagreements with other organisations like the ECA whose arguments it now accepted. The Bank now advocates a strategy of sustained and equitable growth. (77) This strategy requires the creation of an enabling environment in terms of infrastructures and incentives for efficient production; building capacities of people and institutions; investing in people; slowing population growth; attacking poverty; better education and health care for the people; greater regional co-operation between African states; etc. This Bank study is a significant departure from the earlier report which caused considerable anger and disappointment in Africa and the United Nations. It has tried to combine its orthodoxy and the ECA/OAU emphasis on recovery and transformation.

Conclusion

From the debate on the efficacy of IMF/World Bank SAPs in Africa, there has emerged a consensus that there should be a 'heterodox' approach to adjustment, or 'adjustment with growth'. It is too early to say whether this consensus will lead to any change in policy in African countries. In other words, adjustment must create conditions conducive to recovery and development instead of worsening the crisis. Some writers have therefore argued that for adjustment to contribute to recovery, the current hostile international environment must be changed. (78) It means also that the level of external assistance should improve to provide new resources for development,(79) although whether it will infact do so is questionable.

There is also agreement on the need to ease the debt burden before adjustment can be expected to lead to recovery. Perhaps the most important obstacle to economic recovery in Africa today is the debt problem. (80) The problem of debt-servicing, the hard terms of rescheduling and the flexible interest rates are all continuing to make African countries lose more resources on debt-management. With African countries losing more resources this way than they are able to attract from outside, it is difficult to achieve any external balance in their accounts and at the same time promote growth. It also follows that adjustment should emphasise supply expansion

> ...[more than] traditional Fund programs, would avoid shock treatment and provide for more gradual, longer-term adjustment with more sensitivity to distributional issues...(81)

It has also been argued that SAP should rely less on market forces but instead blend them with direct control and regulation. Further, it should be long-term enough for these countries to achieve recovery and growth. The point is that in Africa, development can only be guaranteed if the state plays a significant role. This is largely how the states that are today known as NICs developed. They did so through very strong protectionist walls erected and maintained by the state whose participation in the economy was very significant. The opening up of African economies to hostile competition from advanced countries through liberalisation of trade and exchange rates, privatisation and the like, will only reverse the development process.

The resolution of the economic crisis in Africa today is therefore better envisaged through the adoption of a heterodox strategy in economic policy-making. With attention firmly put on the goal of self-reliant and self-sustained development, a mixture of policies should be adopted in the short-to-medium-term to get to this goal. These policies should be a mixture of export-oriented growth and national/regional inward-looking economic integration. Each variety should receive attention and emphasis from time to time only when it is in the interest of the state concerned to do so. This approach is also necessitated by the fact that the IMF and the World Bank are trying to change Africa's development paradigm from socialist/mixed economy to a market economy. These institutions are not carrying out adjustment in Africa in the classical western sense. (82)

In the chapters that follow, we conduct a study of the SAPs in Ghana and Nigeria in the light of the debate reviewed above. The success of the SAPs will no doubt be evaluated on the basis of the propositions set out in the Introductory chapter. However, we shall also assess the extent to which the issues raised by the IMF and the World Bank on the one hand, and their critics on the other, are reflected in the situations in Ghana and Nigeria.

Notes and References

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2 **Ibid**, P.28

3 **Ibid**, P.15

4 **Ibid**, P.17

5 For the full text see **Monrovia Declaration**, in OAU **What Kind of Africa by the Year 2000** (Addis Ababa) PP.133-135

6. The treaty establishing a continental Common Market was eventually signed by African leaders in Abuja, Nigeria in June 1991.

7. Elliot Berg has restated the case made in the World Bank document he authored on Structural Adjustment in Sub-Saharan Africa and also taken up some of the issues raised against the Report. See E. Berg, "The World Bank's Strategy" in John Ravenhill (ed) 1986: **Africa in Economic Crisis**, London (Macmillan)

8 World Bank 1982: **Accelerated Development in Sub-Saharan Africa: An Agenda for Action** (Washington) P.4

9 **Ibid**

10 **Ibid**, P.5

11 Robert S. Browne, "Evaluating the World Bank's Major Reports: A Review Essay" in **ISSUE**, vol.XV1/2 1988, P.9

12 Elliot Berg, **opcit**, P.53

13 For example of this shift in Africa's position, see Organisation of African Unity, 1986, **Africa's Submission to the Special Session of the United Nations General Assembly on Africa's Economic and Social Crisis**

14 See especially the World Bank's **Toward Sustained Development in Sub-Saharan Africa, 1984** and **Financing Adjustment with Growth in Sub-Saharan Africa, 1986-90**, 1986

15 Robert S Browne, **opcit, P.5**

16 **This need to give adjustment a 'human face' by protecting the vulnerable groups was finally recognised and accepted by the Western countries at the joint meeting of the Boards of the World Bank and the IMF in Berlin on September 29, 1988. See also, West Africa**, October 10-16, 1988. P.1888-89

17 See Susan George, 1988, **A Fate Worse than Debt**, London (Penguin) P.189

18 Quoted in Susan George, **Ibid**, P.190

19 **Ibid**

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21 **Ibid**, P.194

22 This is discussed in detail in chapter 8 of this study.

23 See Laurence Harris, "The Bretton Woods System and Africa" in B Onimode (ed) 1989, **The IMF, The World Bank, And the African Debt: The Economic Impact**, London (Zed) P.19

24. Kjell J. Havnevik (ed) 1987: **The IMF and the World Bank in Africa: Conditionality, Impact and Alternatives** (Scandinavian Institute of African Studies) P.11

25 IBRD, 1985 **Annual Report**, PP.50-51, quoted in Havnevik **Ibid**

26 IBRD, 1986. **World Development Report**, PP.47-48

27 Osvaldo Sunkel, P.8

28 **Ibid**, P.9

29 Richard Higgot, "Africa and the New International Division of Labour" in J. Ravenhill (ed) 1986, **Africa in Economic Crisis**, London (Macmillan) P.287

30 **Ibid**, P.288

31 Robert S Browne, **opcit P.8**

32 **Harris, opcit P.22**

33 **Ibid**, P.23

34 See Susan George **opcit P.50. Cheryl Payer has also made a similar point. See Cheryl Payer, "The IMK and India", in Kjell Havnevik opcit P.66**

35 **UNECA, 1989: African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation** P.16

36 The political opposition which IMF/World Bank structural adjustment generated in Africa forced even conservative governments to engage in what Claude Ake has described as 'defensive radicalism'. That is to say, these governments often made public statements attacking the activities of these institutions in their economies, while they secretly negotiated their adjustment programmes and avoided political confrontations with their populations.

37 Joan M Nelson (ed) 1990; **Economic Crisis and Policy Choice: The Politics of Adjustment in the Third World**, New Jersey (Princeton) P.4

38 **Ibid**, P.18

39 Bright Okogu, "Structural Adjustment Policies in African Countries: A Theoretical Assessment", in B Onimode **opcit P.34**

40 Marcelo Selowsky, "Adjustment in the 1980s: An Overview of Issues", in **Finance and Development**, June 1987, P.11

41 UNECA, 1989 **opcit PP.17-18**

42 See Manuel Guitian, "The Fund's Role in Adjustment", in **Finance and Development**, June 1987, P.5

43 The body of this work has grown quite rapidly since the publication of the Berg Report, only a few examples are cited here. See Peter Lawrence (ed) 1986: Havnevik, K J (ed) 1987, B Onimode 1988: B Onimode (ed) 1989: Helleiner, G K (ed) 1986; ECA 1987: **The Abuja Statement**: etc.

44 See Reavenhill, J: "Adjustment with Growth: A Fragile Consensus" in **The Journal of Modern African Studies 26,2 (1988)** P.183

45 Havnevik 1987 **opcit P.18**

46 B Onimode 1988, **A Political Economy of the African Crisis,** London (Zed) P.290

47 Laurence Harris "Conceptions of the IMF's Role in Africa" in Peter Lawrence 1986, **World Recession and the Food Crisis in Africa**, London (James Currey) P.88

48 G Saitoti, "A View from Africa 1", in Helleiner, G K 1986 **opcit P.27**

49 See Reginald Green "Africa in the 1980s: What are the Key Issues?" in P Ndegwyn, L P Mureithi, R H Green (eds) 1985: **Development Options for Africa in the 1980s and Beyond,** Nairobi (OUP) P.41

50 See John Loxley "Alternative Approaches to Stabilization in Africa" in Helleiner, **opcit P.120**

51 A representation of this is George Saitoti, **opcit** P.28

52 See B Onimode 1988, **Opcit** PP.291-292 and C M Nyirabu, "A View from Africa 2" in Helleiner, **Opcit P.36**

53 Loxley in Helleiner **Opcit** P.121

54 Elliot Berg in Ravenhill **Opcit** P.54

55 C. Nyirabu **Opcit** P.38

56 Nyang'oro 1989:100

57 John Ravenhill (1988) **Opcit** P.188

58 See Jabara and Green: Ravenhill **Opcit** P.189

59 Loxley **Opcit P.121**

60 Reginald Green **Opcit** P.39

61 UNECA 1989 **Opcit P.18**

62 **Ibid,** P.18-19

63 **Ibid,** P.19

64 Ajit Singh "A Commentary on the IMF and World Bank Policy Programme" in Peter Lawrence **opcit P.105**

65 **Ibid,** P.106

66 Cheryl Payer, **opcit P.66**

67 John Loxley opcit P.124

68 B Onimode 1988 opcit P.290

69 UNECA 1989 opcit P.19

70 See **Opcit** especially the Executive Summary and Chapter 6 which deals with the impact of the reforms.

71 **Ibid,** P.1

72 **Ibid,** P.3

73 See the ECA; Statistics & Policies... P.1-11

74 **Ibid,** P.10

75 See **Africa Recovery** Vol.3 No.1-2 October 1989 P.36

76 See **Opcit** especially Chapter Five

77 See especially PP.1-15

78 G. Saitoti in Helleiner **opcit** P.30

79 John Loxley in Helleiner **Ibid** P.134

80 A Summary of this point is given by John Ravenhill 1988 opcit PP.196-198

81 John Loxley in Helleiner opcit P.140

82 This view was also expressed by a former World Bank Staff, Percy Mistry, in a lecture on "The Present Role of the World Bank in Africa" given on 16-10-1989 at the Institute for African Alternatives, London.

CHAPTER 4

ECONOMIC CRISIS AND STRUCTURAL ADJUSTMENT IN GHANA

When Ghana became independent in 1957, it was seen as a model of what an independent African country should be. It was one of the most prosperous countries on the continent, with cocoa, gold and timber underlining this prosperity as the main sources of its exports and wealth. The wealth generated by cocoa (which accounted for over two-thirds of export earnings) and timber and gold enabled the post-independence government of Kwame Nkrumah to embark on the ambitious programmes of developing Ghana and an active role in international affairs.

The Nkrumah government was able to achieve significant successes in both its African (indeed international) and domestic objectives. Ghana's prosperity enabled her to play an active role in the political development taking place on the African continent in a way no African country had done at the time. Ghana became the patron of many independence movements in Africa as was evidenced from the presence of these movements in Ghana as well as the assistance given to them to fight for independence in their various territories. Ghana also became a diplomatic centre and major proponent of African unity. The number of Pan-African meetings which took place in Ghana during Nkrumah's period in office and the material support given to a number of independent African countries underlined the prosperity and the willingness of the country to take on such heavy responsibilities.

On the domestic front, Nkrumah's government was able to promote development to a significant level. The government rapidly expanded educational and health services by establishing hospitals, clinics, schools and universities across the country. Nkrumah also established extensive economic infra-structure like transport and communications, energy, etc. The legacy of Nkrumah in this area was very impressive:

> substantial nationalization and the state control of crucial sectors (banking, insurance, import/export, the internal distributive trade and gold-mining) occurred. There was also an exceptionally high rate of capital investment in industry, agriculture and social infrastructures, financed primarily through state appropriation of cocoa surplus but also through the expansion of the tax revenue base of the state; a major expansion of the cocoa exports (over 200 per cent between 1959 and 1965) and significant re-orientation of external trade; and finally, in spite of continued dependence on imports, a major shift in the composition of imports from consumer to capital goods and raw materials. In these areas Ghana's achievements were unparalleled in Black Africa (1).

However, this process contained within it seeds of crisis and collapse, and Ghana started a long march towards decline after only four years of independence. Thus, as one scholar put it,

> ... just as Ghana pioneered political independence from colonial masters in Africa, so also has she pioneered a set of self-destructive economic policies which many more recently decolonized African countries have followed (2).

The country drifted uncontrollably from the time of Nkrumah through the coup which brought the National Liberation Council (NLC) to power in 1966 to that which installed the Provisional National Defence Council (PNDC) in power on 31 December 1981. Several factors, both fundamental and 'propagative', combined to cause the crises which Ghana has experienced for over two decades. Fundamental factors refer to the structures of the economy which tend to promote excessive external dependence and hinder self-reliant development. Those factors which tend to propagate this crisis include an adverse external economic environment, external debt, balance of payments and budget deficits, corruption and other domestic structural distortions which we identified in Chapter 2.

This chapter examines the nature of the crisis that has engulfed Ghana since the 1960s, and the factors responsible for the decline. The attempts to reverse the decline in the post-independence period are also reviewed. The two phases of the structural adjustment programme implemented by PNDC between 1983 and 1989 are discussed. Such a review of the background to the economic stagnation as well as the process of reversing it helps us to contrast the current reform programmes with those of the 1960s and 1970s, and to ease the task of assessing the impact of current adjustment programmes.

DEPENDENT DEVELOPMENT, CRISIS AND STABILISATION

Fundamentally, the Ghanaian economy was prone to serious crisis because of the structural weaknesses inherent in it. Like any African country, Ghana did not inherit an integrated economy at independence. The way it was integrated into the world economy did not produce a coherent economy; it created an economy based on raw material export and the import of manufactured goods. As Ray has observed,

> Ghana had been engulfed by the world economy, but not totally transformed by it. The export of primary products such as cocoa, gold and timber dominated Ghana's economic activity (4).

A monocultural economy of this nature is always in danger of being thrown into crisis either by external pressures such as falling commodity prices, or the fall in domestic output due to low producer prices, over-valued exchange rates and the like. It is this dependence on single crop exports that makes peripheral economies like Ghana's inherently prone to crisis, whether this is measured in foreign exchange, shortage, budget deficits or by some other means. Already in the case of Ghana, serious economic problems emerged by 1960 when a trade deficit of 35 per cent was recorded. Nkrumah's response came in 1961 when he replaced the Five Year Plan of 1959-1964 with the Seven Year Development Plan of 1961. Through the 1961 Plan, he imposed a Socialist Solution on the deteriorating economic situation which centred on:

(i) a redirection in infrastructural development from 80 per cent to 63 per cent

(ii) increase in industrial and agricultural investment from 20 per cent to 37 per cent and
(iii) emphasis on labour as the major element on national investment and development (5).

The Nkrumah government sought to reduce dependence on cocoa and diversify the economy by expanding the role of the state in it. As a result industrialisation was made a major goal of policy. The industrialisation strategy that was adopted as a result of this was that of import substitution. It was envisaged that the state, and foreign capital would collaborate to push Ghana towards industrialisation. The state was expected to eventually become more dominant in the economy. The strategy was that

> Industrialisation would commence with light consumer industry on the basis of data furnished by existing foreign trade data (sic), and would take the form of (a) export valorisation on the one hand and (b) local substitution of imported commodities on the other. Light industry operations were expected to lead cumulatively to the establishment of a basis for heavy (producer - goods) in industry (6).

This drive towards industrialisation led to an immediate expansion of the public sector into manufacturing. State-owned industries were established in all areas ranging from bakeries to marble factories. In all, about 600 industries were planned for this period, but only 150 were completed by 1966 when the Nkrumah government was overthrown. The new industries tended to be grandiose and more expensive than those built before this period. For instance, the total cost of the three government factories commissioned in 1965 at £13.5 million, was more than three times the investment in all the state factories in existence in June 1961 (7). Moreover, most of these enterprises were financed partly by suppliers' credits but the costs exceeded the foreign exchange savings from substituting locally made products for imports. Most of these projects were also overpriced and poorly designed.

The Nkrumah government also introduced exchange controls and made import licensing central to the management of the economy in order to control the outflow of scarce foreign exchange. Yet the government became a major consumer of foreign exchange. For instance, central government expenditure on new machinery and equipment imported in 1965 was 34 per cent higher than in the fiscal year 1960-61. The government's investment in new buildings and construction which had major imported components rose by 66 per cent over the period. Also in 1965, the public sector's share of gross fixed capital formation was 66 per cent compared with the 20 per cent in 1958. Other sources of drain on foreign exchange were the importation of consumer goods, luxury goods and even raw materials and agricultural equipment. All these strained the current account considerably (Table 4.1).

TABLE 4.1

Ghana's Foreign Trade Deficits and Total Balance of

Payments Deficits on Current Account: 1960-65

£ Million	1960	1961	1962	1963	1964	1965
Imports						
Consumer goods	64.7	70.6	55.9	51.3	40.8	54.9
Raw and semi-finished materials	30.9	39.5	33.0	39.5	41.4	50.3
Capital equipment	28.0	26.7	21.3	32.3	32.4	48.3
Fuel and lubrication	5.9	6.0	6.5	7.2	7.0	6.5
Total Imports	129.5	142.8	116.7	130.3	121.6	160.0
Total Exports	116.0	115.1	115.0	108.9	114.6	113.4
Trade Deficit	13.5	27.7	1.7	21.4	7.0	47.6
Estimates of Total Deficit on Current Account	33.5	52.7	28.3	45.8	33.6	74.5

Source: Ghana, Economic Survey(s), 1961, 1966; quoted in J D Esseks "Economic Policies" in D. Austin and R. Luckham (eds): **Politicians And Soldiers in Ghana 1966-1972.** London (Frank Cass) 1975 P. 57.

The Nkrumah government also mismanaged the economy in other respects. One way in which this mismanagement was carried out was through deficit financing. Deficit actually set in by 1961 when it was £37 million and continued to widen with the enormous expansion in public expenditure. The government resorted to borrowing from the banks to make subsidies available to the public enterprises whose expenditures had tripled, and to finance its budgetary deficits. There was a rapid expansion in money supply as the state sector pumped more money into the economy. Thus, the average volume of cash and bank deposits available to both the government and the public increased by 46 per cent between 1963 and 1965.

The government also continued to peg the producer price of cocoa, because this gave the government most part of the earnings from cocoa which it used in financing its huge development plan. As a result of this, cocoa producers were exploited by the government and this discouraged production and led to large-scale smuggling of cocoa to Togo and Cote d'Ivoire where prices were higher. The state also squeezed out the private sector by its entry into the distributive sector of the economy as well. For instance, in 1961 a state agency pushed all private buyers and four large co-operatives out of the internal marketing of cocoa. A year later the government took over the trading firm AG Leventis, thus extending its distributive network and monopolising the importation of basic consumer items such as milk, rice, flour, sugar and tinned fish. This growing role of the government in the economy culminated in the strategy of import substitution in which industries were set up to produce goods which were usually imported.

However, the experience with import substitution is that unless the process is carefully managed, it can intensify the disarticulation in the economy and hinder industrialisation. This was the situation that Nkrumah created in Ghana: his strategy of import-substitution industrialisation created more dependence on imports of capital and consumer goods. By the late 1950s this dependent industrialisation was consuming 80 per cent of planned government investment. Nkrumah also borrowed heavily to finance this ambitious programme. By 1965, the whole experiment was in danger of collapse as funds dried up because of the fall in cocoa earnings and indebtedness. As Hutchful has argued, while other factors such as mismanagement contributed to the economic crisis that set in by 1965,

> A central element in this was the kind of 'industrialisation' attempted in Ghana, emphasising imports of plant, machinery, semi-finished materials, management and technical services, and high cost credits. First, given its high import content, this kind of industrialisation may actually accelerate rather than relieve pressure on balance of payments; at best it results not so much in a decline in absolute import levels as in a shift in the composition of imports. Second, export valorization, combined with import substitution, merely preserved the inherently disarticulated character of the economy, with the export on the one hand of semi-processed, raw materials and the import on the other of raw or semi-finished industrial inputs. Little integration of national industry and domestic agriculture, a necessary condition for transforming other areas of the local economy, actually took place. Third, to the extent that most 'industrial activity' was in fact simple terminal stage processing (assembly activities, etc) the bulk of the value was already embodied in the imported semi-finished materials. 'Manufacturing' was thus unable to generate the value necessary for accelerated accumulation and transformation... (8).

The fundamental weaknesses in the Ghanaian economy, the mismanagement by the Nkrumah government, and the fall in cocoa prices by about 66 per cent during 1962/1966 plunged the country into crisis. The fall in the price of cocoa from 1961 threw government finances into confusion. The government responded by running down the reserves which were exhausted by the end of 1965. It also resorted to credit and barter trade with Eastern European countries as well as borrowed extensively from other sources including the West. As a result, a huge national debt was built up amounting to 60 per cent of the GDP by 1965, with foreign debt amounting to 30 per cent of the GDP by the time the government was overthrown in 1966. Of this foreign debt, 70 per cent ($415 million) was medium term and very expensive.

The government further responded to the decline in its finances by launching an austerity budget in fiscal year 1961-62. As part of the austerity measures a purchase tax and a compulsory savings scheme was imposed, forcing all salaried workers to give up 5 per cent of their earnings as loans to the government . In addition to the excessive administrative controls imposed on the economy this exacerbated the crisis. Corruption took its toll mainly through import license racketeering and the inefficiency and wastefulness of the parastatals. Inflation soared as shortages of basic items which were usually imported, became common. All sections of the economy, including industry and agriculture, and public services suffered because imports had fallen. As a result, the black market, or **Kalabule** emerged and living standards fell. The worsening economic situation led workers to undertake various strike actions to protest against the declining living standards.

Along with this expansion of the state sector the government went on to concentrate power both at the centre and in Nkrumah, that is in the person and office - and the two became indistinguishable- of the President himself. The Republican Constitution of 1960 was a major instrument of this centralisation of power. The Independence Constitution before it had provided for some form of local autonomy exercised through the Regional Assemblies in an effort to encourage the development of consensus politics by giving people greater representation. These Regional Assemblies were abolished by the Nkrumah government and replaced by local authorities which were powerless and put under the control of the Convention People's Party (CPP) functionaries. The Socialist experiment in Ghana under the CPP was modelled after Stalinist regimes in the Eastern bloc countries.

These Stalinist tendencies were reflected in the merging of party and government and the attempt by the CPP to organise and control the rest of society. The passing of the Preventive Detention Act was a significant step in this move towards

Stalinism. The Act was used to destroy the political opposition in the march towards the one party state. Other sections of the population were forcibly made to join the CPP. Thus the United Ghana Farmers Council (UGFC) was declared the only farmers' organisation in Ghana and affiliated to the CPP. The Industrial Relations Act made the Trade Union Congress (TUC) the only legal trade union organisation and also affiliated to the CPP. Other party organs included the National Council of Ghana Women, the Young Pioneers and similar groups.

The Republican Constitution introduced by Nkrumah therefore effectively rendered the people of Ghana powerless and transferred all power to Nkrumah as executive president and also a member of parliament. From then on, he went on to develop a personality cult and personalised rule. In 1961 Nkrumah moved in on the CPP and took over the post of General Secretary in addition to his post as Life Chairman of the party. As the CPP became more isolated from the people like Nkrumah himself and began to fracture, he attacked those he accused of involvement in inner party squabbles. He also removed the old party leaders whom he accused of corruption, and threw some of them into detention while others were forced to escape into exile. His authoritarian rule attracted growing violent opposition with several attempts made on Nkrumah's life. He responded to this by acquiring more power which he used to crush the opposition. By the time the one party state was declared in February 1964, Nkrumah and the CPP had significantly lost the mass following which they enjoyed in the early years after independence.

These political and economic problems completely engulfed Ghana. The government was left with little room to manoeuvre. It was in desperate need of resources to continue to finance its expensive socialist programme almost from its inception. The loss of revenue from cocoa and the general mismanagement of the economy combined to make Ghana insolvent by early 1966. Ghana clearly needed the goodwill of foreign creditors, suppliers and the like, to help her out of the crisis. But the goodwill that was there had been overspent even with Ghana's friends in the Eastern bloc. By the end of 1965, Ghana had exceeded the limits of import surpluses allowed within the bilateral agreements with a majority of her ten Eastern bloc partners. The West refused to bail out the Nkrumah government when approached. With the pressure intensifying from within and externally, the Nkrumah government had to do the unthinkable.

These pressures forced the Nkrumah government to invite the IMF/World Bank to help it re-negotiate the external loans, in 1965. In its preliminary report, the IMF/World Bank observed that the Ghana economy was severely overstrained and recommended a period of consolidation. The kind of consolidation that the IMF/World Bank recommended Ghana to undertake involved budget cuts and reduction of the size and role of the public sector; restoration of the private sector to prominence; dismantling exchange rate controls, liberalising trade and imposing austerity including a cut in the producer price of cocoa. While the Nkrumah government agreed with most of the IMF/World Bank recommendations, it was still not willing to abolish the dominant role of the state in the economy. This led to disagreement between the two sides and it took a military coup on 22 February 1966 to break the deadlock.

The military coup which overthrew the Nkrumah government replaced it with a military junta under the name of the National Liberation Council (NLC). The new military government got the immediate recognition and support of the western powers who had helped to get rid of the 'socialist' government of Kwame Nkrumah. The IMF returned to Ghana with a stabilisation programme which, in addition to what the Nkrumah government was asked to do, now required the junta to reduce economic relations with Eastern Europe, sell off state enterprises, give a prominent role to foreign private capital and devalue the Cedi by 30 per cent (9). The NLC accepted the stabilisation programme and gave the IMF supervising power over the Ghana economy by having to obtain the approval of the IMF before carrying out any policy changes.

The stabilisation programme covered the period 1966-68. The NLC was mainly concerned with budget balancing rather than transforming the economy away from the kind of structures which brought about the crisis. For instance, state budgeting expenditure was cut by about C60 million in 1966-67 over 1965; strict limits were imposed on bank credit and wage increases were kept at 5 per cent. The policy in agriculture was to discourage large-scale farms, limit the state sector to extension services, research the provision of infrastructure and encourage small scale farmers through credit and other services. In industry, the preoccupation was with the withdrawal of the state sector by selling off assets or the joint ownership with private investors. The foreign private sector was encouraged to expand by the offer of attractive incentives. There was also greater liberalisation of trade generally and the encouragement of export-oriented production.

The NLC virtually reversed all the policies of the Nkrumah government. Not only did the junta denounce socialism and sever diplomatic relations with Eastern European countries, many state enterprises were also privatised. All projects being handled by the Eastern bloc countries were abruptly brought to a halt. Those that were completed, like the reinforced concrete panel factory built at the cost of NC 2.3 million, were abandoned. The Tarkwa gold refinery which was 90 per cent completed at the time of the coup was also abandoned, a move which was influenced by the opinion of the World Bank that the ore could be more cheaply refined abroad.(10) The mining sector was sold to foreign companies like Lonrho, the UAC gained control of the textile industry through its takeover of the Chinese integrated textile mill at Juanpong. In agriculture, the cocoa storage silos were abandoned and never used, the agricultural projects like the large state farms were transferred to private hands while the machinery remained abandoned, some still uncrated. All these were done to implement the stabilisation programme, even at the cost of such a level of waste in plant and the labour force that was displaced.

However, in spite of the stabilisation programme, or perhaps because of it, the junta were unable to solve the political and economic problems. The programme did not resolve the structural contradictions that led to the crisis, it rather deepened the foreign control of the Ghana economy. The programme failed to meet the desired objectives and conditions deteriorated further. There was growing unemployment as workers were retrenched; over 66,000 lost their jobs between 1966 and August 1968 (11). Devaluation also produced opposite results as exports declined and imports increased. Cocoa exports actually fell from 557,000 tonnes in 1964-65 to 334,000 tonnes in 1968-69. Public sector investment fell in this period, and private investment did not materialise. Real per capita GNP also fell from C 142 in 1965 to C135 in 1969 as living standards were depressed; government revenue also fell (12). By the time the stabilisation programme was ending, Ghana was already facing renewed balance of payments crisis. The junta then passed on the crisis-ridden economy when they handed over power to the government of Dr. Busia in 1969.

The Busia government continued with the economic policies of the NLC. It placed emphasis on such things as private sector growth and a further general liberalisation of the economy. For all the efforts of the government in implementing these policies, success was very elusive. The economy did not improve and the decline continued, especially in the external sector (Table 4.2). Thus, by 1971-72, another IMF stabilisation programme was introduced. At this time Ghana's external debt stood at US$189.7 million with the debt service payments amounting to $50.4 million. The stabilisation programme was virtually the same as that under the military government of the NLC. However, the higher devaluation which was carried out in December 1971 spelt doom for the government. The Busia government devalued the Cedi by 78 per cent against the dollar. Three weeks later, there was a military coup in January 1972. The coup brought Col. Acheampong and the National Redemption Council(NRC) to power. But they also had to face the problems that the devaluation of the Cedi was expected to tackle.

TABLE 4.2

Ghana's Imports and Exports 1965-71

£ Million

	1965	1966	1967	1968*	1969*	1970*	1971*
Imports							
Consumer goods	54.9	38.8	42.9	37.0	43.7	-	-
(food)	-	-	-	(20.8)	(22.5)	(32.5)	
Raw and semi-finished goods	50.3	43.0	50.0	50.6	57.9	-	-
Capital equipment	48.3	38.3	29.9	31.9	33.8	-	-
(Machinery & transport equipment)	-	-	-	(35.0)	(38.6)	(44.2)	-
Fuel & Lubricants	6.5	5.2	7.7	8.7	9.4		
Total Imports	160.0	125.3	130.5	128.2	144.8	171.0	184.0
Total Exports	113.4	95.7	123.4	139.5	162.0	199.5	158.5
Trade Deficit or Surplus	-46.6	-29.6	-7.1	11.3	17.2	28.5	-25.5

Sources: Ghana, Economic Survey, 1968, p. 44; **Ibid.**, 1969, pp. 35-37; and Standard Bank, Annual Economic Review, Ghana, October 1971, p.2 and Standard Bank Review, April 1972, p. 15; quoted in J D Esseks **Ibid** p. 58

* The 1968-71 figures have been converted from New Cedis at the exchange rate £ equals NC 2.45. For 1965-67 the rate was £ equals NC2.

The coming to power of the Acheampong Government brought with it further economic disaster . Not only did the regime reverse the policies it inherited, it could not put in place a better alternative strategy for solving the deteriorating economic situation. Instead it organised the looting of the country and its resources on a massive scale. Having used Busia's devaluation of the Cedi in December 1971 as a major excuse to take over power, the new government immediately reversed the situation by revaluating the Cedi and thus undid by about two-thirds the effects of the previous devaluation (13). The IMF-sponsored stabilisation programme of the Busia government was also repudiated and external debts were unilaterally rescheduled and cancelled.

The implications of these acts were that the Acheampong government would have to resist devaluing the Cedi and that it must rely on the inadequate resources available in the country. It also meant that just as it was politically embarrassing to have to devalue the Cedi, the military government could not borrow externally for similar reasons. The only option left was to embark on a self-imposed programme of self-reliance to tackle a stagnation that would not go away. This was what the government unsuccessfully attempted to do from 1972 to 1975.

This programme of self-reliance included such elements as comprehensive import controls through the import licensing system, domestic price controls, large internal borrowing to finance the budget and reliance on export earnings. The government's stance on the outstanding debts enabled it to renegotiate a favourable long-term debt settlement with a ten year grace period from 1974. Thus, disbursements of foreign loans declined sharply and the debt service ratio fell from 7.2 per cent in 1971 to 3.3 per cent in 1975 (14). However, this was made possible only at the expense of an inflationary budget policy as substantial budget deficits were largely financed by internal borrowing from the banking system. Clearly the country was living beyond its means as the Acheampong regime vainly tried to maintain a high standard of living acquired during the period of large external borrowing, on very inadequate domestic resources. Along with the high level of mismanagement the economy further deteriorated and generated more crises for the regime.

From 1975 the situation steadily worsened. The introduction of administrative controls over imports and domestic prices, as well as their poor and inefficient implementation helped to expand the Kalabule economy. The scarcity created by the regime's economic policies led to various forms of corruption, cheating, smuggling, and all types of illegal transactions which are found in a black market. The Kalabule economy involved the diversion of goods from official to unofficial channels, or purchasing goods at controlled price and selling them at a higher unofficial price. There was also the evasion of price controls, tax, over-invoicing of imports and under-invoicing of exports. Added to this was the unbridled corruption of the Acheampong regime. The leading members of the regime engaged in smuggling and encouraged it; they also engaged in the corrupt allocation of import licenses (15). Ghana's export earnings were also misused and diverted into channels which made little contribution to national economic well-being.

All these activities increased the pressure for stagnation in the economy. For instance, from 1972 the budget deficit under Acheampong rose more than ten-fold to over C2 billion on 1977-78, with 70 per cent of it each year being financed by borrowing from the Bank of Ghana (16). Inflation became the major problem. It was running at between 100 per cent and 115 per cent. The money supply in the economy rose by an average of 40 per cent. From 1975, domestic production suffered from a serious shortage of imported inputs, as a direct result of the mismanagement of the import licensing system. As the excessively import-intensive industrial sector lacked foreign exchange, existing industries operated at between 20 to 30 per cent of installed capacity., Exports also declined significantly because of the inflation and exchange rate policy. Even cocoa, the life line of the economy, could not reap the high price on the world market because of these economic conditions. Another added effect of the economic stagnation was that it encouraged the emigration of skilled Ghanaians to other parts of the world in search of better living conditions. This resulted in the loss of about 2 million skilled people to other countries in the 1970s.

The deteriorating economic situation under Acheampong generated political instability which threatened his regime. He tried to deal with the growing unrest in several ways. Predictably, his regime became repressive in dealing with the growing discontent. He also significantly increased wages which only increased the inflationary pressures on the economy. However, the concentration of power in the hands of Acheampong and his henchmen also became the target of the people's anger and attack. The strikes and demonstrations against the government increasingly demanded the ending of military rule and a return to a democratic civilian rule. As the strong tactics of the government failed to silence the growing demands on it to go, it soon ran out of options to keep it in power.

Therefore, in a final desperate political act to remain in power, General Acheampong introduced the idea of a Union government (Unigov) for Ghana. This was his compromise solution which was intended to get the military and civilians to share power. He justified this in the need to avoid further military intervention in politics and to ensure political stability. He put the Unigov idea to test in a referendum in early 1978. However most Ghanaians were resolutely opposed to Unigov and worked hard to stop it. In a referendum which was hotly contested and widely seen as a fix by the people, the Unigov was accepted by a narrow margin of 51 per cent for and 49 per cent against. In spite of this victory at the referendum, the Unigov issue was to prove politically fatal for Acheampong. The outcome of the referendum only helped to strengthen the opposition against him, and he was quickly forced out of power by his colleagues in the Supreme Military Council.

He moved to tackle the economic crisis by announcing a liberalisation programme in early 1977. Under the programme, specified firms in key productive sectors including food processing, beverages, soaps and detergents, textiles, pharmaceuticals, agricultural machinery and spare parts for vehicles were no longer subject to import restrictions and controls for certain other firms were also modified. However, the ability to service this liberalisation programme was dependent on the availability of a reasonable level of foreign exchange. In June 1978, General Acheampong belatedly announced the adoption of a freer exchange rate policy in a move designed to provide more incentives to exporters and to reduce pressure on the limited foreign reserves. He did not stay to implement it as he was forced out of power and replaced by Lt. General Akuffo, in July 1978. The kleptocratic rule of Acheampong and his colleagues left Ghana in poor economic state (Table 4.3).

Table 4.3: Summary of Economic Performance in Ghana, 1972-78

Year	Total Budget Deficit (C million)	Increase in govt. spending (%)	Change in GDP (%)	Inflation Rate (%)	Index No's of Exports & Imports by vol.	
					Exports	Imports
1972	-153.4	8.8	2.6	10.0	73.7	44.5
1973	-154.9	34.5	2.9	17.5	66.8	53.0
1974	-356.7	53.5	6.9	18.4	55.1	71.5
1975	-623.8	41.3	-12.7	29.7	56.4	62.0
1976	-870.6	28.2	- 3.7	53.3	59.1	59.7
1977	-1478.3	49.9	2.7	116.3	48.7	62.0
1978	-1906.5	15.6	4.2	173.7	40.1	51.4

Sources: Various; quoted in Jeff Haynes (1989) "The International Dimensions of the Sub-Saharan African Debt Crisis: A Case Study of 'A Success Story'", P. 7.

By the time General Akuffo came to power all the factors discussed above, compounded by higher price of petroleum imports, combined to set the stage for the third IMF adjustment programme in 1978-79. This stabilisation programme was designed to reduce the rate of inflation by half, correct price distortions, strengthen the balance of payments and to lay the basis for sustained growth of production and exports (17). The Akuffo administration also devalued the Cedi by 58 per cent in relation to the dollar as part of the stabilisation. Public expenditure cuts and currency reforms were undertaken. For instance, ten old Cedis were made equivalent to seven new Cedis for the first C5,000 bank notes held and to 5 new Cedis for amounts in excess of C5,000.

The continuing economic pressures forced the government to seek IMF support in the form of a stand-by credit arrangement of $68 million and a $30 million Trust Fund facility as a part of the stabilisation programme. However, this process was interrupted by the coup which brought Flt. Lt. Jerry Rawlings to power on June 4, 1979. The Armed Forces Revolutionary Council (AFRC) dealt ruthlessly with corruption and mismanagement in Ghanaian Society, before handing over power to an elected civilian government in September 1979. The new People's National Party (PNP) government led by Hilla Limann inherited the stagnating economy left behind by seven years of military rule.

The new government was immediately preoccupied with arresting the decline. Their strategy was to try and restore stability in the economy. In an austerity budget drawn up in December 1979, the Limann Government set the task of rehabilitating industry, agriculture and infrastructure, conserving and increasing foreign exchange by exploiting local resources and promoting enterprises with export potential. Priority was given to agricultural development to achieve self sufficiency in food and to develop agro-industries (18). The government also sought the assistance of the IMF and World Bank in its attempt to tackle the huge economic problems inherited from the military. In the meantime, the problems became persistent. Inflation was still running high, increase in money supply was still up to 40 per cent of total expenditure and the exchange rate remained fixed at C2.75 to the dollar.

This encouraged smuggling to continue on a massive scale, especially to Ivory Coast where the cocoa was bought in hard currency. The black market value of the Cedi was ten times lower than the official rate, infrastructure deteriorated, there was a severe shortage of basic goods and inflation averaged over 50 per cent in 1979 and 1980 before moving up to 100 per cent in 1981. There was also severe pressure on international liquidity. By 1981, the economy was slowly grinding to a halt and life became more difficult. The crippling situation was aptly captured by a joke that was made about the 'Ghanaian miracle', that is, the miracle was how anyone was able to survive on a minimum daily wage of C12 when a loaf of bread cost C15.

The Limann government took some measures to deal with these problems. Producer prices for a number of key commodities were raised in 1980 to boost production. The government also made progress in the repayment of international debts as can be seen from the $53 million debt service which was met in 1980. In the meantime, the government decided to allocate import licenses in line with the foreign exchange available. The 1981 investment code was intended to encourage foreign investment in the economy by liberalising the conditions for foreign participation in such sectors as agriculture, mining, export, industries and tourism. Also to prevent widespread civil unrest arising from the worsening economic situation, the government took some ad hoc measures such as increasing the minimum wage by 300 percent to C12 per day; liberalising the import of goods for anyone with the foreign exchange, and agreeing to the distribution of 15 essential commodities through the trade unions and the co-operatives. However, this wage increase raised the public sector wage bill by C1 billion, a bill which was already consuming 40 per cent of total government expenditure. This almost undid the efforts of the government to stabilise the economy.

Despite these economic pressures, the Limann government refused to devalue the Cedi as demanded by the IMF through its conditionalities. The IMF was insisting on performance criteria which included: curtailing credit growth, especially in the public sector; cuts in government spending including a reduction in the size of the civil service; increasing interest rates; raising agricultural producer prices; improving the collection of revenue and a substantial devaluation of the Cedi. In return, Ghana could get an immediate SDR 100 million from the IMF, an extended fund facility of $1 billion of three years and SDR 80 million from the IMF's compensatory fund while a structural adjustment loan would be forthcoming from the World Bank (19).

The Limann government did not want to implement those IMF policies . It argued that an economy like Ghana's which was systematically plundered by successive governments for more than a decate needed a gradual approach to things so as to avoid upheavals. Limann further argued that in Ghana, devaluation had tended to promote coups and solved nothing as the three previous devaluations clearly showed. Limann's minister of Finance, George Benneh, graphically made this point when he said,

> If a patient is critically ill, after the doctor has made the diagnosis he has to prepare the patient psychologically before administering a heavy dose of whatever he prescribes. If he doesn't, the shock might just kill the patient (20).

The Limann government found itself boxed into a corner by having to take decisions that would endanger the survival of the government. On the one hand, it was clear that if they did not take drastic measures to stop the economic rot, it would be impossible to guarantee stability in the country. On the other hand, it was too weak politically to be able to take tough decisions on the economy. The PNP government came into office with a majority of only one seat in the national assembly and it soon faced damaging opposition from an alliance of the other parties. There was also a destructive internal power struggle within the PNP which rendered the government virtually ineffective in dealing with vital national issues.

Consequently the government and the country drifted hopelessly without any sense of direction. The Limann government was also rightly worried about Flt. Lt. Jerry Rawlings, who not only refused the offer to go abroad for further studies after his retirement, but was also going around reminding the government that it was on probation. From then on, a cat and mouse chase started between the government and Rawlings. Rawlings for his part was looking out for any mistakes by the government that he could capitalise on and he desperately hoped that the Limann government would take the unpopular route to devaluation to hasten their overthrow (21).

In the end, the Limann government was unable to halt the deteriorating economic situation and was also unable to survive it. The statistics revealed the desperate state of affairs as well as a horrifying future. For instance, the gross domestic investment which had fallen by an average of 3.2 per cent per year between 1960 and 1970, fell by a further 6.2 per cent between 1970 and 1980. For the period 1970-1980, the GDP fell by 0.1 per cent per year, the GNP fell by 1 per cent per year and industrial and agricultural production also fell by 1.2 per cent. Also, the wholesale price index rose from 100 in 1975 to 796.4 in 1980, while the consumer price index went up from 100 in 1975 to 1,335.4 in 1980 (22). The smuggling and Kalabule continued to flourish, and foreign exchange shortages were so critical that capital projects were stopped and infrastructure deteriorated.

The situation became so bad , and the government so disorganised, weak and unable to take charge that a power vacuum seemed to exist ready to be filled by anybody. The extent to which the Limann government was no longer in charge of the country was brought out by two incidents in 1981; the first was the demonstration by police recruits against the non-payment of their salaries. It was not only unusual for the police to engage in a public demonstration against the government, it was even worse when the police used force on their own colleagues to break up the demonstration. The second incident was the inability of the government to pass the 1982 budget in parliament.

The vacuum was easily filled by a coalition of radical groups like the June Four Movement, National Democratic Movement, the Peoples Revolutionary League of Ghana, the Trade Union Congress, the National Union of Ghana Students, and the military, when they overthrew the Limann administration on 31 December 1981. It should be noted that even though the Limann government was overthrown through a military coup, the role of the military in the pre-coup period was obscured by the role of Flt. Lt. Rawlings. The shadow of the military hung over the Limann government throughout especially as a result of Rawlings' warning at the end of his three months in government in 1979 that the new government would be closely watched throughout its term.

When Rawlings refused the Limann government's offer to settle in exile after he left office and instead went on to become the chairman of the June Fourth Movement, the military became involved in the power game in an indirect sense. To that extent, they were part of the anti-Limann coalition which succeeded in staging a popular uprising against the government. A new government, the Provisional National Defence Council (PNDC) was formed in the new year. It was the PNDC that attempted to tackle Ghana's economic stagnation more seriously than the previous governments. The process of reversing the economic stagnation in Ghana led the PNDC to embark on a structural adjustment programme or as it is known in Ghana, the Economic Recovery Programme (ERP).

The PNDC and the politics of Economic Recovery

The 31 December coup, also referred to as a revolution by its leaders, was popularly welcomed by Ghanaians after a disappointing two years under Limann . The emergence of Flt. Lt. Jerry Rawlings who still enjoyed popular support for his brief three months in office in 1979, at the head of the PNDC, also added to the credibility of the new government. At the beginning, the PNDC was radical, populist and anti-imperialist in its orientation owing to the strong representation of left-wing elements. The PNDC pledged itself to work towards the redistribution of wealth, social justice and grass-roots democracy. Accordingly, structures were set up to involve the people in government. The most notable of these were the National Defence Committee, Worker Defence Committees and Peoples Defence Committees to get the workers and peasants fully involved in the task of economic reconstruction and development. These structures were enthusiastically used by the people.

On coming into office the PNDC took a number of emergency measures to improve supplies. Students were used to transport cocoa to the ports from the hinterland where they had been held up for years due to poor transport facilities. A vehicle rehabilitation unit was established to ease the chronic shortage of serviceable transport. The government also took steps to reduce the budget deficit and its use of the banking system to finance the shortfall. Essential oil imports were sought from Libya with the hope that it would relieve a situation in which nearly a third of the country's export earnings was spent on oil imports. The PDCs and WDCs were expected to be vigilant and prevent or stop any corrupt practices that they discovered. An anti-corruption crusade was waged by the regime against people who were alledged to be involved. The peoples courts that were set up after the 'revolution' tried alleged offenders, confiscated properties and jailed convicted persons.

However, it was clear that while the emergency measures were important, it was necessary to tackle the more fundamental problems in the economy. Increased production was seen as a major factor in the route to recovery, and therefore, people needed to be geared up to produce more of the goods that would aid recovery in the most efficient manner. But for this increased production to take place a variety of equipment, spare parts and raw materials needed to be made available. The

Ghana economy, with its characteristic dependence and lack of integration, required that these elements had to be imported. The foreign exchange to do this was not there and the PNDC knew that a lot of capital was needed to rehabilitate the infrastructure and productive capacity. In response to this need for foreign exchange to revamp the economy, the PNDC approached the socialist and radical countries for aid and did not get as much as was required since the recession of the 1980s also badly affected even the countries of the socialist bloc.

At the same time, a National Economic Recovery Commission which had Dr Kwesi Botchwey, PNDC secretary for Finance and Dr J.S. Abbey as chairman and member worked on a new Economic Recovery Programme (23). The PNDC (or the Rawlings faction of it) was hoping to use the programme to lay the economic foundation of a national democratic revolution. It therefore expected

- to restore incentives for production of food, industrial raw materials and export commodities and thereby increase their output to modest but realistic levels,

- to increase the availability of essential consumer goods and improve the distribution system;

- to increase the overall availability of foreign exchange in the country, improve its allocation mechanisms and channel it into selected high priority activities;

- to lower the rate of inflation by pursuing prudent fiscal monetary and trade policies;

- to rehabilitate the physical infrastructure of the country in support of directly productive activities;
- to undertake systematic analysis and studies leading towards a major restructuring of the economic institutions in the country (24).

The PDNC approached the West and the IMF for capital in mid 1982. Negotiations with the IMF for aid to finance the recovery programme started at this point. It seems that the PNDC did not hold a common position on how to resolve the economic problems facing the country (25). This difference in position within the PNDC was revealed at the meeting of the PNDC convened in September 1982 to discuss the ERP (26). At the meeting, Dr. J.S. Abbey presented the programme drawn up by the National Economic Recovery Commission and this led to a stormy debate as the left wing members of the PNDC vehemently opposed it because of what they saw as the unacceptable hand of the IMF in it. Since the radical members maintained that they were not consulted before the programme (which they referred to as the Abbey Report) they pressed for a new programme this time with inputs from all recognised interest groups. The 'Abbey Report' was defeated after a vote and an alternative economic committee was set up to draw up another programme. The opponents of the 'Abbey Report' were given one week to present an alternative programme (27). It is instructive to look at the 'alternative' programme of the left wing elements in the PNDC and see the extent to which it differed from the 'Abbey Report'. It is to this that we now turn our attention.

They opened their position with the argument that a programme of economic reconstruction in Ghana must be based on a concrete study and analysis of the problems confronting each sector of the economy in both their national and international aspects. Such a programme must also be based on clearly defined political objectives. While recognising the dilemma which the government faced in addressing the economic crisis, they argued that with the level of despondency among the working classes a new programme requiring further sacrifices of them would be difficult to sustain. However, . the severity of the economic crisis would require further sacrifices from the working people in the short term. And to create the necessary political conditions for the launching of the programme they proposed, a firm and decisive action needed to be taken to revive and sustain the enthusiasm of the masses of the people. A number of measures was therefore needed to be taken in the light of the foregoing (28).

The first course of action to be taken was to set up a three man Technical Secretariat to review the allocation and utilisation of import licenses, going back three to five years so as to collect taxes and other charges properly due. The logic here was that the most blatant abuses in the management of the Ghanaian economy as well as the largest source of illegal wealth, was the import trade. This would also elicit the support of the people for the revolution, once the wealth amassed by the compradors, defined loosely as the ruling elite, from import license racketeering was attacked. In carrying out this political campaign, a computerised list of importers, import license allocations, turn-over taxes paid, etc. running a few years back and prepared by the PNP government, was retrieved (29). In addition, the strategy should be to drive a wedge between compradors (who should be punished) and manufacturuers (who should be won over), by getting them to register their business dealings with the government.

Alongside this campaign against compradors, it was suggested that steps be taken immediately to improve the supply of basic necessities such as soap, kerosene, matches etc. They recommended the setting up of a three-man committee to liaise with the Ghana National Procurement Agency, the Food Distribution Corporation, the Ghana National Trading Company and other commercial firms and manufacturers and ascertain the stock available and expected arrivals for equitable distribution in consultation with PDCs and WDCs. In addition, a new incomes policy should be brought in with the 1983 budget.

On the import/export trade, the 'alternative' programme recommended that import trade become a state monopoly in order to curb what was seen as needless drain on Ghana's foreign exchange resources through over-invoicing and under-invoicing of imports and exports. The PNP government was blamed for not doing much in this respect, especially in view of the radical provision under Article 148 of the 1979 constitution that:

> .... any person not being a citizen of Ghana who does not bring into Ghana foreign capital of such amount as may be specified by/or under an Act of Parliament for the purpose of establishing a business in Ghana shall not engage in the import or export trade or in any industry (30).

They argued that available data showed clearly that many foreign companies and nationals who were engaged in various types of businesses, had reaped enormous profits transferrable in foreign exchange even though they brought little or no foreign exchange into the country initially. They cited the example of Standard Bank which made C54 million in 1980/81 as evidence of this phenomenon. As part of this nationalisation of import-export trade, they recommended that a number of national trading companies be incorporated under the companies code to take charge of import/export trade. This state monopoly of foreign trade, it was argued, had the advantage of eliminating the corrupt practices of the old system, particularly with the vigilance of WDC's (31).

The report also called for a diversification of Ghana's foreign trade away from the current excessive dependence on the West where about 80 per cent of her imports came from, and the same volume of exports went to. This over-dependence was seen as both politically and economically "disingenuous". Therefore, to achieve a more balanced geographic and political diversification, a computerised list of imported merchandise by country of origin was to be submitted to the embassies of socialist countries in Ghana for them to indicate the goods they were willing to supply by volume and value (32). On domestic trade, it recommended the banning of wholesale trade to all foreign firms and nationals. In this attempt to nationalise wholesale domestic trade, expatriate businesses were to be required to provide such information as dates of their incorporation, evidence of foreign exchange investments and compliance with foreign exchange regulations. The Bank of Ghana and the Ghana Trust Holdings Ltd were expected to collect any compensation due as penalties for default.

For retail trade, the recommendation was for the establishment of a nationwide chain of co-operative shops (Peoples shops) to ensure popular control over the distribution of basic goods. The shops were to be supervised by distribution committees elected by the people in their PDCs. Essential commodities such as soap, matches, cigarettes, cooking oil, gari, rice, maize, sugar, milk, candles and lanterns were to be sold only by the peoples shops. To avoid the unpleasant failures of the price controls imposed during the Acheampong days, the peoples shops were to be guided by "a strict set of strict punishments for infringements of these rules" (33).

The issue of higher prices of domestic commodities (especially food) than imported ones was also addressed. They argued that the phenomenon of cheap imports and expensive domestic substitutes conferred huge unearned incomes on those who had access to import licenses on imported goods. This was why manufacturing houses and dealers were preoccupied with imported items rather than buying domestic substitutes. Unlike the pro-structural adjustment group in the PNDC, the left did not seem to link this problem to the exchange rate of the Cedi or the administrative allocation of import licenses. Their solution assigned an even greater role to the state.

They maintained that any recovery programme must aim to reduce dependence on imports. They recommended the re-pricing of imports as a part of the short-term economic package. The "major aim is to increase domestic production through the elimination of the large incentives to import competing commodities which undermines domestic production activity" (34). Domestic production was to be given incentives and support by restraining costs and through repair and maintenance of transportation, infrastructure, marketing and storage facilities, timely and adequate supply of inputs like fertilizers, insecticides and planting materials. However, the criteria on which such support would be given to the production of such domestic items would be the demonstration of comparative advantage; contribution to the attainment of food security; and contribution to the integration of the economy (35). It was recognised that these measures would cause hardship, and the burden should therefore be borne more by the well-to-do. The success of the recovery programme itself was seen as ultimately depending on:

(a) the mobilisation of additional external resources to ensure improved economic activity, employment generation and effective mobilisation;

(b) a well designed rationing plan at least for basic commodities which would ensure fairness in distribution and at stipulated prices with the full involvement of the PDCs; and

(c) a well-planned political mobilisation effort (36).

Project loans were to be sought for the entire minerals sector, timber and large scale agriculture, in the same way a medium-term loan was obtained for Ashanti Goldfields Corporation. Additional funds were to be raised by permitting Ghanaian nationals resident abroad to maintain bank accounts in convertible foreign currency. The Bank of Ghana was to open these accounts which would be interest-bearing, for those who applied. As opposed to the Rawlings/Botchwey recovery programme which was expected to run on for years, the left within the PNDC favoured a short-term recovery programme. Their argument was that it was difficult to sustain the enthusiasm of the masses for a five-year programme especially if very little was achieved in the first year. Instead, they proposed what they saw as modest and easily achievable goals that would still sustain the enthusiasm of the people.

It was in this light that they proposed a crash agricultural programme of one year to increase the supply of selected staples and vegetables like maize, cassava, yams, groundnuts, pepper, tomatoes etc. Under this programme farmers were to be provided with subsidised inputs on the condition that they sold "an agreed proportion (preferably 80 per cent) of their output to the state at fixed prices; the remainder may be sold on the free market" (37). For manufacturing industries, attention was to be paid to certain essential commodities like soap, edible oil, drugs, tyres, dry cell and car batteries, agricultural implements etc. However, while the PNDC left was determined to avoid IMF conditionalities like devaluation, removal of subsidies, trade liberalisation, etc, it was not clear how they would increase the country's export earnings in order to support the volume of imports required by the import-dependent industrial sector. This also raises the question of the extent to which they really comprehended the kind of situation the economy was in.

However, as the rift between Rawlings and the radical elements in the PNDC (JFM and PRLG) widened after their confrontation over the 'Abbey Report', political developments in other areas not directly related to the economy moved them towards an eventual break up in their coalition. One such political development was the embarrassing case (to the government) of the abduction and murder of three judges between

30th June and 3rd July 1982. The swift manner in which PNDC chairman Jerry Rawlings had gone on radio to accuse anti-government dissidents operating from abroad for the abduction even before the charred bodies of the three judges were found, fuelled public outcry and anger which was to remain for a long time. The June Four Movement on its part issued a release immediately condemning the murders and demanded an inquiry in order to bring the culprits to justice. A meeting of the PNDC on 28th October 1982 where these murders were discussed (specifically the alleged role of Capt. Kojo Tsikata in them) ended abruptly and in disagreement. The in-fighting within the PNDC had by now gone too far.

On 29th October 1982, there was an alleged coup attempt. The JFM leadership in the PNDC had told workers in Accra that day that there had been a misunderstanding in the PNDC and Rawlings was nowhere to be found; that in the meantime, Sgt. Alolga Akata-Pore and Chris Atim (both PNDC members) were in control of the situation (38). The situation was however resolved after Rawlings and the JFM leadership had been called together by workers to explain the confusion which they had created. From then on, the split in the PNDC was imminent as each side worked to out-manoeuvre the other from power. However, Rawlings used the situation to his advantage when he accused the JFM leadership in the PNDC and National Defence Committee, of deliberately trying to subvert the government.

Rawlings addressed the Accra workers on the matter thus:

> Two weeks ago on the morning of Friday October 29, 1982, at a meeting of the IZCC-WDC of Accra, the leaders of the Accra EDC were fed with a baseless story about a change of Government. In point of fact, we are having to deal with a tight-knit group of subversionists. In addition to this we also have a strong element of conspiracy which has indirectly and unsuccessfully tried to peddle the minority extremist views. (39)

When Dr Kwesi Botchway declared, on 20 October 1982, that Ghana was opening discussions with the IMF in order to obtain credit to implement the economic recovery programme, the Rawlings group in the PNDC had effectively parted ways with the left-wing elements who had helped him to power. The JFM leadership together with workers and students continued to campaign against the ERP which the government was embarking upon with the help of the IMF. They argued that IMF demands such as devaluation, removal of subsidies on social services like health, education, transport, etc. would harm the people more instead of solving the problem. The political break with Rawlings was yet to come. It came finally when another coup attempt took place on 23 November 1982. The leadership of the JFM in the PNDC ended up as the losers. They were arrested and harassed into exile, leaving the way clear for Rawlings to implement his economic recovery programme (ERP). (40)

With the exit of the JFM and PRLG members from the PNDC Rawlings may have had his way clear to implement the ERP, but he also lost his constituency (the workers, students and perhaps the rank and file of the JFM, PRLG and other groups) to oppose the ERP. After prolonged negotiations with the IMF during which the PNDC's proposals for longer repayment periods for debts, postponement of interest charges; conversion of debts into grants, and access to concessional soft loans were rejected by the Fund, (41) the first phase of the economic recovery programme (ERPI) came into effect in 1983.

The Economic Recovery Programme I, 1983-85

The ERP was essentially similar to previous IMF stabilisation measures, and what the Fund had tried to get the Limann government to implement without success. The elements of the ERP were also similar to IMF structural adjustment programmes implemented elsewhere in the third world. The recovery programme aimed to promote export-led growth, liberalisation of the economy, reliance on market forces, greater role of the private sector and reduction in the role of the state, etc. Thus, the objectives of ERPI included:

(a) the arrest and reversal of over a decade of precipitious decline in production in all sectors of the economy, particularly agriculture, including cocoa;

(b) the control over the factors fuelling the fires to hyper-inflation in the economy (reaching 116% in 1977 and 1981) through the restoration of financial discipline;

(c) the rationalisation of the exchange rate in order to stimulate export 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, and thus restoring confidence in the economy with overseas banking and suppliers establishments;

(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 levels of Ghanaians. (42)

The successful negotiation of a credit package of over $300 million and a seal of approval for its ERP from the IMF, the door to multilateral credit agreements with the West was now open to the PNDC. The West (mainly through the IMF and World Bank) gave full support to Ghana's efforts at structural adjustment. The PNDC on its part got down to the serious task of faithfully implementing its own part of the agreement in 1983. This implementation began with the 1983 budget announced in April. A new currency pricing system was introduced rather than a formal devaluation. It operated by means of a variable surcharge on imports of between 750 per cent and 990 per cent of the official rate of C2.75 = $1.00. A variable bonus was also given for exports of between 750 per cent and 990 per cent. Under this system, imports of crude oil and other essentials such as raw materials, agricultural machinery and clinker attracted the lower surcharge of 750 per cent. All other payments were subject to the higher rate with some attracting a further 5 per cent foreign exchange transfer tax. The bonus of 750 per cent of the export price was to be paid for major agricultural commodities and exports of raw materials. Other sources of foreign exchange like manufacturers, processed timber, tourist receipts and expatriate remittances were to be paid the higher rate of 990 per cent. (43) In October 1983, this devaluation was formally adjusted to the official rate of C30 = US$1.00.

Other measures introduced included cuts in public expenditure to tackle the huge budget deficits of the past. Producer prices, especially for cocoa were raised from C12,000 per tonne to C20,000 per tonne in April 1983. Interest rates were also raised in October 1983 by 3 - 5 per centage points. (44) Prices were also deregulated and this led to large price increases of social services. For instance, road transport fares went up 165 per cent, kerosene by 1400 per cent, premium gasoline by 1179 per cent and regular by 1195 per cent. Other services like the rail, postal, water and electricity also had huge price increases. (45) However the minimum wage was also increased from C12 to C21. These changes did not go down well with the people. The situation was made worse by the unprecedented drought of 1983 which led to the failure of crops. Bush fires also destroyed whatever crops were produced and thereby aggravated the food crisis in the country. The expulsion from Nigeria of about one million Ghanaians severely strained the resources available and exacerbated the crisis in the economy.

In 1984, the ERPI was pursued with greater vigour by the government. The budget was therefore designed within the framework of the ERP. It aimed to restrain inflation, rationalise prices, expand production and exports, among other things. The tax administration and enforcement were strengthened to increase government revenue. The budget deficit was also reduced by about 2.2 per cent to bring down inflation. The Cedi was further devalued to C38.5 = $1.00 in August 1984. The government also reaffirmed its commitment to follow a flexible exchange rate policy and the progressive elimination of price distortions. Interest rates were raised a further 2 per cent on the 1983 levels. In 1984, nominal wages and salaries were raised by 40 per cent, with the daily minimum wage going up to C52.50 in December from C35 in 1983.

The level of incentives was also raised to encourage investment in the private sector and increased exports. The new investment code was made more attractive to foreign investors as it guaranteed the security of investment and the freedom to remit profits and repatriate capital. Most of the foreign exchange was channelled towards export-oriented and import-substituting industries. The most pressing need in the industrial sector was to significantly improve capacity utilisation. The import programme allowed manufacturers to retain 20 per cent of their export proceeds for financing essential imports. The import licenses for such essential imports were issued automatically. The Cocoa Marketing Board was allowed to retain 10 per cent of its export earnings. For gold, between 35 and 40 percent could be retained. (46) To increase cocoa production, producer price was raised to C30,000 per tonne in May 1984 from C20,000 per tonne. In 1984, attention was also paid to the rehabilitation of infrastructure and transport systems, largely with foreign aid which came mainly from the World Bank.

However, while the ERP enjoyed the support of the West and led to a significant inflow of resources from these countries, at home it faced mounting opposition. The workers in particular, had used the political power that they had through the EDCs and the Interim Management Committees (IMCs) to obstruct the ERP. Workers had used their new found power in the IMCs to even run their factories. This situation was clearly unacceptable to both the IMF and World Bank and they did not hesitate to ask the PNDC to eliminate the political influence of the workers as a condition for the disbursement of the badly needed foreign capital. The PNDC continued to harass the workers in their WDCs since the coup attempt in October 1982. In December 1984, both the WDCs and IMCs were abolished. The PDCs/WDCs were replaced by Committees for the Defence of the Revolution (CDRs) and their political role was down-graded. Also on 3 December 1984, the Interim Management Committees were replaced by Joint Consultative Councils (JCCs). The JCCs were now to act as advisory bodies, to managing directors, thereby effectively ending the participation and influence of workers in the PNDC government. From then on, the government could carry out the ERP with the active support of the multi-national corporations and the IMF/World Bank.

The aim of the 1985 budget had been to increase the momentum of the ERP; to strengthen the share of development expenditure; increase the capital base of selected state enterprises; and provide increased resources to the social sectors. (47) Some of the macro-economic targets set for 1985 included a 5.3 per cent increase in real GDP, a 16 per cent rise in the dollar value of exports, a 37 per cent increase in dollar value of imports, the lowering of inflation by half to 20 per cent and the budget deficit of 2 per cent of the GDP. The fiscal measures taken emphasised domestic resource mobilisation and significantly increased capital expenditures. Planned revenues were therefore increased by more than 75 per cent, taxes on imports were increased to contain demand while taxes on domestic goods and services on selected income were reduced. Capital expenditures were raised to 25 per cent of total expenditures compared to 17 per cent in 1984. The budget deficit was also held to about 5 per cent of the GDP. (48)

Other measures include a further devaluation of the Cedi by 56 per cent to C60 = $1.00 in October 1985. Interest rates were also increased to 12 per cent as the 12 month deposit rate and 23 per cent maximum lending rate. Incentives in aid of production and exports were taken in a number of areas. The producer price of cocoa was raised from C30,000 per tonne to C56,000 per tonne, a 90 per cent increase which was expected to give producers 50 per cent of the world market price. Free seedlings and spraying materials were distributed by the Cocoa Board (CocoBod). The producer price for cotton was increased by 100 per cent to C110,000 per tonne, tobacco by 50 per cent to C125,000 per tonne, while maize was bought at the guaranteed minimum price of C10,000 per tonne. The share of export earnings to be retained in foreign exchange was increased. The Ashanti Goldfields Corporation was allowed to retain 45 per cent of its export earnings, while State Gold Mining Corporation was allowed 35 per cent. Timber and other exports were allowed 20 per cent, and cocoa still retained 10 per cent. Such retained export earnings could be used to import spare parts and settle external financial obligations. (49)

While wages were raised again in 1985, retrenchments were carried out in fulfilment of creditor demands. State-owned enterprises were being commercialised or prepared for eventual disvestiture. A new investment code was also introduced in July 1985 to attract foreign investment. The benefits accorded by the new investment code were

> exemption from payment of duties on imported essential plants, equipment and accessories, attractive depreciation and investment allowance and income tax rebates, and permission to maintain external accounts in which 25 per cent of foreign exchange earnings may be retained for import of equipment and inputs and for payment of dividends and remittances abroad. The investment code offers Government guarantee against expropriation and provides for arbitration in case of investment disputes. (50)

On the whole, there was greater commitment on the part of the government to implement ERP in spite of the strong internal opposition to it by the people who were bearing the brunt of the hardship the programme had brought on them. By now, it was clear that the survival of the ERP was bound up with the survival of Rawlings and his government. The enthusiastic support that was given to the programme by Western countries and multilateral institutions was like essential blood transfusion to keep the patient alive. Thus, ERP survived its first phase because the Rawlings goverment also had survived to keep it going, a situation very much dependent on vital western support for the ERP through essential foreign aid. The second phase of the ERP and indeed the future economic health of Ghana was to continue to depend on this equation.

The Economic Recovery Programme II, 1986-88

With the success of ERP I in reversing the situation from the near total economic collapse of the period between 1981 and 1983, the ERP II sought to consolidate the gains of ERPI. This meant that the macro economic policies of the previous years would be continued and this time, to lay a firm foundation for sustainable self-reliant growth and long term balance of payments viability. Specifically, the goals of the ERP II were to:

(a) sustain economic growth at between 5 to 5.5 per cent a year over the medium term;

(b) increase the level of public investment from about 10 per cent of national income to 25 per cent by the end of this decade;

(c) increase domestic savings from about 7 per cent at the end of the ERP I to about 15 per cent by the end of the decade;

(d) further improve the management of resources in the public sector;

(e) effectively mobilise the resources thus generated to improve the social and overall well-being of the people of Ghana, particularly the under-privileged, deprived and vulnerable. (51)

The ERP II aimed to give adequate incentives for increased cocoa production in view of its importance to the economy. The farmer was to be given an increased share of the world market price for cocoa to encourage continued production and discourage smuggling. Also, the operating cost of the cocoa board was to be substantially reduced from the equivalent of 30 per cent of the world market price per tonne for the 1986/87 crop year to 15 per cent in 1988/89. The Cocoa Board was therefore to be limited to purchasing, marketing and extension service while its staff strength would be cut accordingly. For agriculture in general, more attention was to be paid to the small scale farmers by giving easier access to inputs. In the other areas such as forestry, timber, mining, etc, emphasis would continue to be on rehabilitation and modernisation to increase production. In industry, the strategy would be to strengthen industrial growth by maximising the utilisation of existing capacity. raw materials and spare parts were to be made readily available. Other measures to be taken included greater deregulation of prices, removal of subsidies, more devaluations etc.

In the years 1986 to 1988, other measures were also taken by government to attain the goals of the ERP II. In 1986 for instance, the retrenchment and redeployment of workers continued as part of the cost-cutting exercise which creditors demanded. Another cost-cutting measure was the educational reforms which were to be implemented nationally from the 1987/88 year. The reform was the establishment of the junior secondary school. Under this most children were to have access to primary education at the primary and JSS level, while about 25 per cent were expected to go to senior secondary. Higher fees were also charged in schools and hospitals, while student loans were introduced to tertiary institutions. These measures led to sustained opposition from the National Union of Ghana

Students (NUGS) and from then on the universities suffered frequent disruptions through closures. The other measures such as keeping public expenditure down, were also intensified. Further deregulation was carried out and the value of the Cedi continued to fall.

In 1987 the dual foreign exchange sustem was replaced by a unified auction system which was now to determine the applicable rate for all transactions within the economy. Non-traditional exports were encouraged by a further increase in the foreign exchange retention scheme from 20 to 35 per cent. Licensed dealers other than banks were authorised to set up "bureaux de change" to buy and sell foreign currency. There was a 25 per cent across-the-board increase in wages and salaries with the new minimum wage rising from C90 to C112. This was however offset by the increase in petrol price from C150 to C190 per gallon of premium. Tax measures included the reduction of corporate tax for manufacturing firms from 50 to 45 per cent; the reduction of import duty rates on priority imports of basic raw materials from 30 per cent (in 1986) to 15 per cent; while other raw materials and capital goods had their rates reduced to 20 per cent from between 20 and 30 per cent. (52).

In addition to the commitment to further the objectives of ERP II, the 1988 budget also paid attention to the problems of adjustment as they affect the poorer sections of the society. A Programme of Action to Mitigate the Social Costs of Adjustment (PAMSCAD) was slated for implementation from 1988. PAMSCAD had an initial budget of $85 million pledged by foreign donors to run over three years. PAMSCAD involved the use of labour-intensive methods to carry out projects. These range from infrastructure rehabilitation and maintenance in the cities, to urban upgrading through the provision of roads, water supply and public sanitation. Other projects under this programme, include rural feeder roads; community-initiated self-help projects in health, education, housing and sanitation; resettlement of redeployees in agriculture, credit scheme for small scale enterprises; grants to women's groups; non-formal education etc. (53) All these projects were intended to provide employment for those workers retrenched from the public service and also the under-employed and unemployed.

The government also addressed the problem of housing in 1988. It decided to encourage the development of real estate to ease housing shortages in the urban areas. While the government was committed to providing houses from its own resources to the tune of C1.25 billion and also reduced corporate tax for real estate companies from 55 per cent to 45 per cent to get them to provide more houses. The health sector also received attention with the decision to expand the primary healthcare programme and to rehabilitate specialist and all regional hospitals. Transport and communication rehabilitation received renewed emphasis. The privatisation of public enterprises was also continued in 1988 when 32 state owned enterprises were offered for divestiture by the Divestiture Implementation Committee. The devaluation of the Cedi was given another boost by the coming into operation of privately owned Foreign Exchange Bureaus (FOREX) from February 1988. In 1989, all foreign exchange and import controls were removed, making it easier for those with the money to buy foreign exchange and import any goods of their choice. This policy of deregulation of prices was extended to agriculture, especially with the distribution of fertilizer which was privatised.

In all, Ghana has been more committed and consistent in implanting its structural adjustment programme than most other African countries which have gone that route. So much was this commitment to the programme that Ghana's ERP was held out by the West through IMF and World Bank as a model of the success of structural adjustment which other countries should emulate. As a result of this, the West was also more generous with Ghana in providing aid to support the structural adjustment process than with other African countries. This support was underlined by the pledges that were usually made at the Paris Consultative Group Meetings of donors in support of structural adjustment. However, the critical question to ask in the light of this is the extent to which the implementation of the ERP has led to the desired effects of reversing the economic collapse which threatened Ghana by 1983, and the creation of growth and development in the economy as ERP II was committed to doing. This is the question which engages our attention in chapter five where we discuss the impact of the structural adjustment programme on Ghana.

Notes and References

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19. See Mark Webster, "Uphill Struggle for the future", in **Financial Times**, London, 13 May 1981, P.17

20. **Ibid**

21. Interview with Zaya Yeebo who was on the executive of June Four Movement and former PNDC Secretary for Information and Sports, 7 January, 1990.

22. Donald I Ray **opcit**, P.122

23. Some members of the PNDC at the time, especially JFM and PRLG members, maintain that this commission was set up secretly by Rawlings and his supporters in the PNDC and not by the whole PNDC (Interview with Zaya Yeebo, 7 January, 1990)

24. PNDC **Two Years 1984.** Quoted in Donald I Ray **opcit**, PP. 127-128

25. The JFM members of the PNDC have consistently maintained that the ERP is a right-wing programme which they did not participate in drawing up. They show this by referring to it as the "Abbey Economic Programme", named after Dr J S Abbey who was instrumental in drawing up the ERP and also played a significant part in the negotiations with the IMF. The JFM members did not like the involvement of Dr Abbey who had served as economic adviser to the Acheampong and Akuffo regimes. See Kwasi Kamasa, "Ghana's National Sovereignty At Bay. Confiscation of Economic Decision-making of a Neocolonial State. By the IMF/World Bank", in **Revolutionary Banner** No. 12, December 1989, P.4

26. Interview, 7 January, 1990

27. Kwasi Kamasa **opcit**, P. 14

28. This alternative position was set out in a confidential document which was never published but to which I had access,entitled "Outline of a Short-term Economic Recovery

Programme", by a group of left-wing PNDC members and discussed in Government in 1982.

29. **Ibid**, P.2

30. Quoted in **Ibid**, P.3

31. **Ibid**, P.4

32. **Ibid**, P.5

33. **Ibid**, P.6

34. **Ibid**, P.9

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36. **Ibid**, P.13-14

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38. Zaya Yeebo argues that the alleged coup attempt of 20 October 1982 was organised by Rawlings and his right-hand man, Kojo Tsikata, in order to organise support for themselves. He maintains that JFM only tried to fill a vacuum created by the disappearance of Rawlings. Interview 7 January 1990.

39. Flt. Lt. J J Rawlings; **We Shall Overcome**, an address to members of Greater Accra Zonal WDCs, November 12, 1982, P.1

40. The JFM claims that Rawlings used the opportunity of the coup to get rid of them even though the coup plotters were never arrested but allowed to escape.

41. Bade Ommode **opcit**, P.26

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CHAPTER 5

THE POLITICAL ECONOMY OF STRUCTURAL ADJUSTMENT IN GHANA

There is a lack of consensus in the assessments of the impact of structural adjustment on African countries, the same way as there were divergent views on the appropriateness of adopting the strategy of structural adjustment to resolve the African crisis in the 1980s. Ghana's experience is a typical example of this situation for obvious reasons. For not only has Ghana been most consistent in implementing structural adjustment, it has also been held out by its sponsors as a shining example of the success of the structural adjustment programme (SAP). In Africa this claimed success has been hotly contested by those who think that the experience under SAP has been anything but successful. Within Ghana this disagreement on the impact of the ERP has been between the Government and its allies in the business community such as the multinational companies on the one hand and the workers, students, churches, and other political opposition groups such as the United Revolutionary Front (URF), on the other. From outside, the two sides have been supported by the views of the IMF, World Bank and the Consultative Group on Ghana, which have hailed the success of the ERP. The views of the opponents of the ERP at home have been echoed by many scholars outside Ghana, and institutions such as the Economic Commission for Africa (ECA), and the Organisation of African Trade Union Unity (OATUU).

At the end of the first phase of the ERP in 1986, the achievements of the programme were greeted with generous praises mainly from its western sponsors. It was considered significant that two decades of economic decline and stagnation could be stopped by the implementation of a structural adjustment programme and at a time when similar programmes were failing elsewhere in Africa. The IMF, the World Bank and the PNDC therefore had cause to be satisfied. Indeed, since that time, aggregated figures have shown significant improvements in the economic conditions of Ghana. For the government and its partners in the implementation of the ERP, this was a vindication of their position on how to bring about economic recovery to Africa's battered economies. Those opposed to the programme of economic recovery reject these claims of success and point to the cost of adjustment to the economy and people, among other things.

However, the initial euphoria over success attained was soon replaced with a sombre mood by both government and donors. Even in 1986, a donor official was reported to have remarked rather cautiously that "Ghana can now be said to be out of intensive care. But the convalescence is likely to be long and tedious..." (1) The World Bank, in particular, has constantly expressed the fear that despite the achievements attained, the adjustment process might fail eventually unless it is properly managed. (2) And as one Bank official has observed, the success of the ERP "does not mean that Ghana has turned the proverbial corner. Far from it. Ghana's problems have not diminished in their intensity. Widespread poverty, disease and illiteracy continue to blight the country." (3)

The government has also been forced by such diverse factors as the sustained political opposition to the ERP at home and economic difficulties, domestic and external, to admit that things are not well with adjustment process. In his 1990 State of Nation broadcast, Flt. Lt. Rawlings made a dramatic admission of the failures of the adjustment process. He told Ghanaians that,

> ... I should be the first to admit that the Economic Recovery Programme has not provided all the answers to our national problems. In spite of all the international acclaim it has received, the effects of its gains remain to be felt in most households. Many families continue to experience severe constraints on their household budgets, notwithstanding the vast improvements in the supply of goods and services on the markets today. There are many who have found it difficult during the past holidays to manage a modest celebration with a chicken for a meal, a new dress for a child or bottle of schnapps for the folks back home. Meanwhile, we are now thinking of how to meet our rents, the next term's school fees and other routine expenses..." (4)

The foregoing discussion clearly demonstrates that the success of structural adjustment in Ghana must be assessed by looking not only at the impact on macro-economic indicators but also the impact on Ghanaians. The extent to which the objectives of the adjustment programme have resulted in the desired improvements in the economy is relevant in judging the success or failure of the programme. The state of health of the economy generally, after the implementation of the adjustment policies is also a useful indicator of the degree of success attained. At the same time, it is relevant to query the success so far attained by looking at the costs of the ERP to the economy and the people. Indeed, to what extent is this success dependent on good weather and large volumes of Western funds?

In this chapter, therefore, we assess the gains of structural adjustment to the economy of Ghana in line with programme objectives. We also look at the sectors which have benefitted from the programme. The 'other side' of the success attained is also discussed and we reveal the rather prohibitive costs that have had to be paid in order that improvements could be recorded in the macro-economic indicators. Here, we look at how the programme has failed to generate improvements in the economic, social and political life of the people. We look at how social groups like workers and peasants have fared under the structural adjustment regime. Also, why has economic liberalisation not been complemented by political liberalisation? Indeed, what are the prospects of sustained development in the long-term under the structural adjustment policies operating today? These are some of the issues taken up here.

The Gains of the Economic Recovery Programme

The success of the economic recovery programme in halting and even reversing the economic collapse which was imminent by 1983, is beyond dispute. The macro-economic indicators significantly improved from their absolute negative levels in 1983 to real positive growth in all the subsequent years during the implementation of the ERP. The government's commitment to the adjustment programme and the support of the programme's external sponsors in the form of high levels of the much-needed external funding, were crucial in generating the gains recorded as a result of the ERP. With regard to external funding, Ghana has received on average, $530 million annually, more than any other African country implementing the structural adjustment programme.

The most visible signs of improvement in the economy are in infrastructures. At the beginning of the ERP, this sector had literally disintegrated. The rehabilitation process has been very successful. The railways, the roads, telecommunications and energy supply have been rehabilitated and extended widely under the ERP. New roads, especially feeder roads have been constructed and many rural communities are now accessible. Electricity generation has significantly improved and is now reaching many parts of the country. Communication between Ghana and the outside world, especially by telephone has become possible. In virtually all sectors there are programmes of rehabilitation or reform. Several abandoned projects were re-started again, a sign of the seriousness with which the government has undertaken the programme of recovery.

Elsewhere, the recovery measures adopted also led to some improvements. For instance, the severe scarcity of goods on the market before the introduction of the ERP was replaced by a significant improvement in the supply of goods. The introduction of financial discipline also significantly improved the budget deficit situation with, for example, a surplus of 0.1 per cent of GDP being recorded in 1986 and rising to 0.4 per cent in 1987. There were also modest gains in revenue generation and the rate of domestic savings. There was also strong recovery in other sectors such as industry, manufacturing, agriculture and minerals, imports and exports (Table 5.1). There was a consistent growth in the GDP for six years from 1984 at an annual average of more than 5 per cent. This was at a time when population was growing at 3.2 per cent annually. As a result of the rehabilitation carried out under the ERP, manufacturing made modest recovery in output and capacity utilisation which was as low as 10 per cent before the reform programme was introduced.

Table 5.1: Selected Economic Indicators 1984-89

Growth Rates (% per annum)

	Inflation	GDP	GDP per cap.	Agriculture	Industy	Services
1984	39.6	8.6	5.8	9.7	8.7	6.9
1985	10.4	5.1	2.4	0.7	17.6	7.5
1986	24.6	5.2	2.5	3.3	7.6	6.6
1987	39.8	4.8	2.1	-	11.5	9.4
1988	31.4	6.2	3.5	3.6	11.4	7.9
1989	25.0	6.2	3.4	4.9	7.4	7.0

Source: Republic of Ghana, The Budget Statement and Economic Policy for 1990, p.1; and quoted in Kwesi Johan "Structural Adjustment and Industrial Underdevelopment in Ghana", 1990, p.5

Furthermore, the value of imports recovered significantly during 1983-89 from $539 million in 1983 to $1.0906 billion in 1988 and $1.1082 billion in 1989. (5) The improvement in the imports position was largely due to adjustment-supported funding from the IMF and the World Bank. This situation also had the added effect of creating a much improved balance of payments position in the late 1980s, especially in 1988 and 1989. (6) The export sector also recovered very strongly, especially the traditional exports such as cocoa, gold, diamonds and timber. The output of cocoa rose from a low of 158,000 tonnes in 1983 to 230,000 tonnes in 1986 and to 300,000 tonnes in 1989. Timber exports also showed the same high degree of recovery with export volumes rising from 189,000 cubic metres in 1983 to 372,000 cubic metres in 1987. There were strong recoveries in the mineral sector, particularly in gold and diamonds. On the whole, export performance in the 1983-1989 period grew steadily as Table 5.2 shows.

Other areas of improvement in the economy include a consistent growth in per capita income of over 2 per cent per annum (7). Inflation also showed some decline although it was still in double figures, at 30 per cent in 1988 and 25 per cent in 1989. Also, Ghana was now able to carry on with the repayment of its international debt arreas, a significant improvement from a situation in which the country was unable to service its debts at the beginning of the 1980s. On the whole, there is a clear revival in economic activity on a larger scale than before the ERP was introduced. This success can be attributed to the exceptionally high level of reform-linked support in funding by the IMF and the World Bank (over $3 billion). It is this reform-based funding and the commitment with which the reform measures were implemented which combined to bring about the improvements in physical infrastructures and macroeconomic indicators.

Table 5.2.

Export - Commodity Performance, 1983-1989

Commodity	Unit	1983	1984	1985	1986	1987	1988	1989
Cocoa	'000 tonnes	158	175	210	230	250	288	300
Timber	Cubic metres	189	180	225	-	-	-	-
Gold	'000 grams	8.6	9.3	10.6	9.0	10.2	11.6	-
Diamonds	'000 carats	336.6	342.0	600.0	599.2	442.0	215.9	-
Manganese	'000 tonnes	175.0	268.0	307.0	350.0	253.6	230.9	-
Bauxite	" "	70.4	48.5	169.5	204.0	195.0	287.2	-

Sources: Jeff Haynes. "The International Dimensions of the Sub-Saharan African Debt Crisis; A Case Study of A 'Success Story'" 1989, P.13; **Quarterly Digest of Statistics** (Accra Statistical Service) vol. VI No. 4 December 1988; **West Africa**, various issues

However, when we look beyond these macro-economic indicators at the impact of structural adjustment on Ghana, the acclaimed successes tend to pale into insignificance. For one thing, the growth rates recorded as indicated above are from very low bases and as long as they continue they are significant, otherwise they are insufficient to sustain the momentum of growth. Moreover, the constraints of the global economy are still there. It is in this sense that the improvements in the growth figures raise a number of issues:

> The first concerns the dynamics of the recovery programme and its potential to succeed; the second deals with its capacity to then propel the economy beyond the limited objective of 'recovery' on to the path of dynamic and autonomous development and growth. First its potential for success: the emphasis on (i) an export sector dominated not by manufactured but primary commodities; and (ii) a massive infusion of aid, concessionary type of official development aid particularly assumes a large measure of flexibility, openness and, above all, growth in the Western economies (Ghana's main trading partners and donor countries). (8)

Another issue is when we look at the price of this success story, or the economic as well as other costs of the ERP, this success is put in doubt in a fundamental way. It then becomes clear that at best, the performance of the economy under the ERP is mixed. Otherwise~~,~~ there is a strong ground to conclude that the adjustment programme has been harmful to the economy of Ghana in a fundamental way. Evidence indicates that the economy is not in a stronger position than it was before the crisis set in over two decades ago. The majority of the population, as we show later in this chapter, has lost out in the process, economically, socially and politically. A balanced assessment of the success of the ERP must therefore involve an investigation of these issues. The issues include the extent to which the ERP has adversely affected the economy and its prospects for self-sustained growth and development in the longer-term; and the effects of the ERP on Ghanaians.

The ERP and the cost of success

In spite if its achievements, the ERP does not seem to have put the economy of Ghana in the kind of shape which will enable it to attain self-sustained growth and development. It does not seem to have altered the old structures of dependence and underdevelopment in any fundamental way. In certain respects, these structures have been reinforced by the export-oriented growth strategy of the ERP. For example, there has been increased over-reliance on traditional exports and dependence on external aid for essential imports to feed domestic industry. Also, the policy measures adopted under the ERP have tended to cancel out rather than complement each other. They have therefore generated their own contradictions which combine to work against the government's declared objective of self-reliant development. It is instructive to look at these issues more closely to see how costly the achievements of the ERP have turned out for the people and the economy of Ghana.

The policy measures adopted under the structural adjustment programme have largely depressed the economy and reinforced existing structural weaknesses, thereby leaving it with very little possibility of a self-generating and self-sustaining development. The much-desired diversification of the economy away from traditional commodity exports has not taken place. Instead, the ERP has succeeded in reinforcing this form of dependence as can be seen from the rise in export volumes of these commodities and the risk of falling commodity prices. For instance, cocoa, the main export commodity, has suffered constant fall in prices since the 1970s when it fell from £3,000 per tonne in 1977 to £600 per tonne in 1989. (9) Moreover, these exports are being increased at the expense of the environment as the level of timber exploitation clearly demonstrates. For instance, the wood processing industry recorded large increases in capacity utilisation from 28.1 per cent in 1984 to 32.5 per cent in 1985, 43.0 per cent in 1987 and 70 per cent in 1988. Furthermore, non-traditional exports have performed very badly, bringing in only $25-30 million per annum or 3 per cent of overall exports. Thus, Ghana has continued to play its traditional role of exporter of raw materials to the industrialised world, only that this time it may be doing it more efficiently.

While it is not realistic to expect Ghana to abandon export growth in traditional industries, it is difficult to see how the weak non-traditional export sector could grow as required because of the Western standard of competitiveness and efficiency imposed on it under the ERP. The reforms have either weakened or destroyed local industries which, after decades of being protected, have found it difficult to compete within the climate of structural adjustment. Therefore, if Ghana is to have a local industrial sector, some protection based on the infant industry argument has to be provided by the government while avoiding these industries remaining perpetually at the infant stage. The idea must be to ensure that local industries are not over-exposed to the strong competition from advanced industrial countries without giving them the same degree of protection which they had before.

The ERP has also heightened Ghana's dependence on aid and worsened the debt situation which led to the adoption of the adjustment programme in the first place. At the time the ERP was introduced in 1983, Ghana's debt was just over $1 billion. By 1989, this level of indebtedness had risen to over $3 billion, thereby exacerbating the debt-service situation. The situation transformed Ghana into a net exporter of capital, especially between 1986 and 1988 when the debt-service was over 50 per cent and even the IMF became a net recipient of capital from Ghana (Table 5.3).

Table 5.3

Ghana's debt service ratios, actual and estimated, 1984-9

	1984	1985	1986	1987	1988	1989
Excluding IMF	32.1	46.8	37.0	26.3	27.5	25.0
Including IMF	36.3	53.4	46.5	51.9	59.2	46.2
Including IMF and arrears	46.4	61.8	46.9	55.0	67.3	53.6

Source: World Bank, Report No. 6635GH, 30 March 1987, quoted in John Toye, "Ghana's Economic Reforms, 1983-7: Origins, achievements and limitations" in James Pickett and Hans Singer (eds), **Towards Economic Recovery in Sub-Saharan Africa. London (Routledge) 1990, p53.**

Even though the situation was expected to ease somewhat from 1989 onwards, Ghana's indebtedness could still rise further as the economy still needed massive inflows of aid if the economy was to improve. For 1989 alone, the World Bank estimated that Ghana needed a minimum of $800 million aid to sustain the recovery programme. This situation in addition to the concession given to exporters to retain part of their earnings in hard currency and also to repatriate profits, has had an adverse effect on domestic capital formation. This assumes critical importance especially because one of the ingredients required for African development is the generation of capital by the countries concerned. The success of structural adjustment should be measured among other things by the extent to which it aids the process of capital formation. In the case of Ghana, as in most other African countries, the liberalisation measures of structural adjustment have tended to promote capital flight. (10)

Another ingredient of recovery and development is high real income per capita. The structural adjustment programme has instead depressed incomes and living conditions generally. The large devaluations of the Cedi and price deregulations as well as the monetary and fiscal policies all combined to push down income levels below their 1970s levels. Again as a result, the economy was unable to generate the needed capital for development. Demand has been seriously eroded by devaluation which has not worked as expected. Devaluation has instead created inflationary problems which cannot be stopped even in Ghana where reforms were far-reaching. Inflation is still very high even through it has fallen from the exceptionally high levels of the period before ERP (Table 5.1). In 1989, for instance, inflation was still running at 25 per cent.

The interest rate policy and credit policy adopted under the ERP have not led to increased savings and investment. It appears that savings and investment have hardly responded positively to reform measures. In a situation of high interest rates and credit squeeze coupled with high inflation resulting from devaluation and price deregulation, people have found it difficult to save as all resources were expended on meeting the rising cost of living. Savings have also been discouraged by the activities of the banks in this area, where even the IMF has admitted:

> ... it appears that the commercial banks have seized the opportunity of the full liberalisation of interest rates to lower their deposit rates and increase their margins. Real deposit rates have thus become significantly negative, thereby constraining the role of the banking system in the mobilisation of financial savings, including long-term resources. (11)

The desired investment has also not been realised, both locally and especially from outside Ghana. Apart from the goldmining sector, oil exploration, tourism and cigarette manufacture which have attracted some level of foreign investment, the experience in the other areas of the economy has been very disappointing. This fact was bitterly lamented by the Finance Minister, Dr Kwesi Botchwey when he told the donor community at the 1989 Consultative Group for Ghana meeting that:

> The generation of productive employment on the other hand depends very crucially on private investment, where our experience has been mixed at best... the reality is that private investments in manufacturing have been disappointing, in spite of some improvement in investment laws, in spite of the divestiture programmes, in spite of the vastly improved macro-economic environment, with better guarantees for profit and dividend repatriation, not to mention the actual record of arrears clearance, in

> spite of our subscription to MIGA, and in spite of bilateral agreements on investment protection. (12)

This problem of lack of investment was clearly demonstrated in 1989 when both local and foreign private investment seemed to have fallen sharply. In fact, all categories of investment, including 100 per cent Ghanaian owned, joint ventures and foreign equity projects, fell in 1988. There was also a fall in the number of new projects and in the number of capacity-increasing investments. (13)

Monetary control has also not been successful as much of the economy is in the unofficial and informal sector and has evaded control. The informal sector is thriving and expanding in spite of the measures taken to bring it under official control, like the setting up of private Bureaux de change which amounted to a legalisation of the black market in foreign exchange. With most people engaged in various activities in this sector, and with other adjustment policies making it difficult to operate in the formal sector, there has been a voluntary opting out into the informal sector. This has meant the loss of vital revenues for the government from possible taxation that could have been levied. The extent to which the informal sector has defied control can be seen from the very large amount of currency outside the banks (Table 5.4). Smuggling has continued despite the efforts put in by the government to stop it. Also, many firms have continued to use the forex bureaux to remit capital abroad despite the depreciated rate of the Cedi. (14) Furthermore, the monetary policies have led to speculation rather than increase in production through investment and the like. It was the high level of speculation which led to the legalisation of the forex bureaux in the first place, but now, even these have been overtaken by a new crop of black-marketeers who carry out their business on the doorsteps of the recognised forex bureaux.

Table 5.4
Money Supply* in the Economy, 1982-1987 (Million Cedis)

	1982	1983	1984	1985	1986	1987
Currency outside banks	6,728	10,037	13,943	21,897	31,240	46,116
Total money supply	12,297	18,770	26,643	43,471	64,620	91,852
Quasi money supply	4,833	5,559	7,193	11,565	19,984	35,365

*Includes the impact of secondary banks.

Source: Republic of Ghana, **Quarterly Digest of Statistics, Vol. IV No. 4**, December 1988. P.2

Trade liberalisation has been largely harmful to the economy because of the fact that the capacity to switch from imported to local products is very weak. While the export of traditional commodities has done well under the adjustment regime, domestic production and industry in particular, has suffered. Industries have had to lay off staff in order to make profit and capacity utilisation has not increased much, let alone expansion in production. Small businesses have suffered badly from a combined effect of the reform measures adopted under the ERP. The large devaluations of the Cedi raised the cost of foreign exchange beyond the reach of the small businessman as he could not often raise the amount of Cedi required in order to buy hard currency to meet his import needs. For instance, not many businesses could thrive under conditions where one needed C3 million to buy £3,000 in 1989. Coupled with this was the financial squeeze imposed by the government and the increased cost of borrowing.

The liberalisation of trade has therefore exposed the weaknesses of the industrial sector in the face of compeition from outside. This diminishing indeed lack of international competitiveness, can be seen, for instance, in the textile sector which has virtually ceased production because local products cost much more than imported textile materials. The situation has been made worse by importers of second-hand clothing from Europe and North America at prices easily affordable to the ordinary Ghanaian. (15) This competition from comparatively cheaper imports has forced manufacturers to call for limited protection, a call which the government, under the guidance of the IMF and World Bank, has resisted. High interest rates have prevented Ghanaians from investing in manufacturing or industry thereby threatening the survival of the sector.

The problem with industry is the infant industry syndrome which was further exposed by the harsh conditions under the ERP. Although the increased inflow of bilateral and multilateral assistance helped to raise overall capacity utilisation from 18.0 per cent in 1984 to 40 per cent in 1988, many industries eventually suffered closure or capacity underutilisation due to the constraints imposed on the industrial sector. The major constraint on industry was lack of liquidity resulting largely from Central Bank instructions to commercial banks to implement very tight credit ceilings. The exchange rate adjustments also raised the cost of importing raw materials, spare parts and equipment for plant modernisation. The Central Bank requirement that industries finance part of their imports by paying the full amounts (100 per cent up front) and the strong competition from cheaper imports all helped to cause closures and similar problems. The decline in this sector became evident in 1989 when output dropped to 7.4 per cent from 11.4 per cent in 1988, and when a survey by the Association of Ghana Industries also revealed that the slow-down was considerable.

The worst affected industrial enterprises were in textiles, leather processing, cosmetics and plastics. As a result, the pressure by the industrialists on government for protection intensified. The government was finally forced to act in 1989, and it invited enterprises which were hard up to register with the Ministry of Finance and Economic Planning for possible assistance. The response overwhelmed the government so much that the exercise was quietly suspended. (16) But the situation did lead some members of the government to admit to policy errors in this sector. The adverse effects of trade liberalisation on the economy have been admitted as an error by the influential chairman of the PNDC Committee of Secretaries, P.V. Obeng:

> We would certainly have avoided the over liberalisation of certain economic activities. We pursued a policy of trade liberalisation even though we had not put some of our local industry on sound footing... But we now appreciate that we brought in trade liberalisation at a time when our sectors of industry that were not yet on the priority list were not on their feet. So these sectors suffered anti-dumping (sic) pressures, they suffered infant industry problems and in the end they were recovering at a pace that was far below expectation. They had lost their capital, the capacity of their planting equipment and their reserves. The banking system had also degenerated and lost its own loan portfolio and therefore could not boost their resurgence with appropriate credit to meet the competition from imports. Through liberalisation we are getting a lot of imports cheaper than our suffering industries could produce. (17)

What seems to have worked is the liberalisation of agricultural producer prices. Even then, its positive effects were felt only in export cash crop production. Thus, peasant cocoa producers benefited from higher cocoa prices. This has largely been the result of the export-oriented strategy and the need to pay debts or service interests. On the other hand, food crop production has suffered neglect and has therefore not done well. Thus, the food security situation is very worrying. There has been a number of programmes and improved extension activities to farmers; the provision of silos in the food producing areas, the rehabilitation of existing irrigation schemes, etc, as part of the process of increasing food production. However, while the price increases have centred on cash crops like cocoa, oil palm and cotton, government policy on food crops is that market forces should determine their prices as far as possible, though guaranteed minimum prices for maize and rice are to be administered for food security reasons.

Despite the reform measures directed at the agricultural sector under the ERP and exceptionally good weather for most of the time, the performance has been mixed. There have been production increases and food production has followed the trend of increases in the population. However, this level of food production has not kept up with that of the population, as Table 5.5 clearly shows. (18) The tendency for policy reform measures to undermine rather than complement each other, is to a very large extent responsible for the unsatisfactory performance of food agriculture. The IMF favoured demand-management measures such as monetary and fiscal policies, but these contradicted the supply-oriented measures such as improved efficiency, resource allocation, and expansion of productive capacity, favoured by the World Bank. In practice these measures have obstructed instead of complimenting each other, thereby seriously limiting the effectiveness of the reforms. Thus, the demand restraint measures favoured by the IMF have among other things led to a consistent decline over the years, of agriculture's share of total public expenditure. (19) The persistent reduction in the size of the development budget which itself is the result of restrictive monetary policy, not only failed to bring down inflation, it could also not meet the agricultural sector's growing need for funds.

Table 5.5
Demand for and supply of cereals ('000 mt) in Ghana, 1980-88

	Demand	Net production	Imports	Total supply	Shortfall	Percentage difference
1980	743.7	515.02	110.2	625.22	-118.48	15.9
1981	763.8	522.38	142.4	664.78	- 99.02	13.0
1982	783.9	386.22	150.8	537.02	-246.88	31.5

1983	804.0	284.70	152.9	437.60	-366.40	45.6
1984	817.4	538.18	106.1	664.28	-173.12	21.2
1985	837.5	456.16	92.8	548.96	-288.54	34.5
1986	857.6	515.50	102.0	617.50	-240.10	28.0
1987	871.0	541.60	103.0	744.60	-126.40	14.5
1988a)	891.1	680.10	-	680.10	-211.00	23.7

Notes: Cereals include rice, maize, sorghum and millet.
Demand reflects that of household and feedmills.

a) Projected figures.

Source: Policy, Planning, Monitoring and Evaluation Department, Ministry of Agriculture, Ghana, July 1988; and quoted in Kwame Asiedu-Saforo "Economic Reform Programmes and Agricultural Development: Macro-Policy Sequencing in Ghana, 1983-88"; in **FOOD POLICY**, November 1989, P.363

Other ERP measures such as devaluation, the removal of subsidies on services and the privatisation of agricultural inputs like fertilizer and petroleum products have served as disincentives to increased food production. This removal of subsidies on essential inputs and the privatisation of others such as fertilizers has reduced the relative profitability of these inputs to the farmer. As Asiedu-Saforo discovered in the case of the price ratio of fertilizer/maize (Table 5.6), the profitability to the farmer of the use of fertilizer in maize production declined since 1984. This has largely been the consequence of the increases in the price of fertilizer resulting from privatisation and devaluation. This has also reduced the demand for and the usage of fertilizer. (20)

Table 5.6
Relative Profitability of Fertilizer Use in Maize Production, Ghana 1983-88

	Price of maize, 100 kg (Cedis)	Price of fertilizer 15-15-15 (50 kg)	Relative profita-bility	Price of fertilizer S/A (50 kg)	Relative profita-bility
1983	3857.59a	53	72.78	38	101.52
1984	2337.82a	440	5.31	295	7.92
1985	2037.91a	440	4.63	295	6.91
1986	3291.71a	780	4.22	490	6.71
1987	7650.00b	1380	5.54	820	9.33
1988	9800.00b	2300	4.26	1600	6.13

a Average market prices
b Estimates of wholesale prices

Source: Policy, Planning, Monitoring and Evaluation Department and the Extension Unit, Ministry of Agriculture, Ghana, July 1988; Quoted in Kwame Asiedu-Saforo, **opcit**, P.365

Another negative effect of the removal of subsidies such as on petrol, is that it hampered the activities of private traders in foodstuff and also led to low prices being paid to farmers. The rise in transportation costs resulting from higher petrol prices and the prices of spare parts has forced traders to restrict their trading to only those areas that are easily accessible. This has also resulted in low prices being offered to farmers for their produce, as well as a continuing high level of post-harvest losses in those areas that are relatively difficult to reach at the prevailing transport costs. In addition, the successive devaluations of the Cedi also became impediment to increased food production. Exchange rate policies have raised the prices of non-food consumer items faster than the increase in food prices, thereby turning the domestic terms of trade dramatically against the farmer.

The reliance on market forces to reverse the fall in per capita production of food did not materialise. The raising of the real producer price for cocoa, while encouraging increased production of the commodity, created a relative price disincentive to produce food. This, in addition to the removal of subsidies on inputs and other non-consumer items, worked to make the conditions of food-crop producers worse under the ERP as the case of the northern farmers suggests. (21) Food production did not do as well as expected in the circumstances as the levels of shortfall in Table 5.5 show.

Meanwhile, the ERP has created winners as well as losers among the various social groups in Ghana. There has been a regressive redistribution of income and wealth towards the rich and powerful in the society. Thus, social groups such as the elite polititians, the top military brass, the business people, the owners of multinational corporations have benefitted immensely from the operation of the ERP. One business group which benefitted most from the ERP was the resident foreigners - Indians, Lebanese, Syrians, Taiwanese and Europeans. (22) This group was better placed than other local businessmen to benefit from the economic reforms because they had the resources, good personnel, access to technology and information about local and international markets, political ties with the local elite and other external connections, the ability to borrow, and they knew how to take advantage of the reforms. They were very aggressive in pressing home their advantages, and reaped enormous benefits. The prosperity of this group under the ERP caused considerable resentment among Ghanaians and embarrassed the government.(23)

As we have argued above, policy measures such as devaluation have led to increased currency speculation in which it is not uncommon to find the elite actively involved. Other areas of reaping immense fortunes by this ruling class have included the privatisation of state-owned enterprises, inflated contracts and other illegal activities. Also, the salaries of top public servants were raised and kept very high as a deliberate policy to keep the high calibre staff in the service as well as attract new ones. In spite of that, the government has found it difficult to keep the skilled people, because the salaries were eaten up by inflation, while the disparity in wages between the top echelon of the public service and the other lower level workers has continued to widen.

Big business has also benefitted from the ERP even though the small-scale businesses were badly affected by the liberalisation policies. The small-scale businesses affected included the garment, textile, leather, building and cosmetics industries. They have been unable to compete against foreign imports which are often much cheaper than goods produced by these local industries.(24) The generous concessions given by the government to encourage production and investment have provided avenues for the repatriation of capital. For instance, the freedom to retain a certain percentage of export earnings abroad for transacting business and even the repatriation of dividends and profit, have opened the way for a much easier transfer of capital abroad. The removal of administrative controls on foreign exchange transactions has been a further boost for multinationals and individuals to transfer money outside the country. The privatisation of state-owned enterprises has also immensely benefitted the rich and powerful as well as the multinational corporations operating in Ghana.

Thus under the ERP, Lonrho has emerged as the dominant actor in the gold mining sector as the UAC (United African Company) is in the textile sector of the economy. These firms have continued their takeover of the economy by buying privatised enterprises in these sectors. Their profits have also risen dramatically in spite of the lean economic situation within the period of adjustment. Usually these huge profits have been made possible by the retrenchments of workers, sometimes by trading in money as the banks have done, as a result of foreign exchange auctions and devaluation. The UAC is a typical case of this phenomenon of huge profits and boom under the ERP even when the rest of the economy is still in crisis. For instance in 1988, the UAC almost quadrupled shareholders' dividends from the record sales and profits which grossed over C1 billion.(25) On the whole, these businesses and Ghana's elite have grown richer under the ERP while the majority of the people have not been as successful.

For the rest of Ghanaians, the cost of adjustment has been very high economically, socially and politically. Those in the professions like doctors, teachers, etc, who could not bear the situation have had to vote with their feet and leave the country in search of greener pastures elsewhere. The exact figures on the scale of this exodus are not available, but the general impression is that the numbers large and growing. This exodus of people whose services are needed for the task of recovery and development has continued to worry the government. Those highly skilled people who were unable to leave the country have resorted to illegal ways of supplementing their incomes which have become inadequate to meet their living requirements. For the rest of the workers, unemployed, and peasants, life has been very difficult under the structural adjustment programme. Their story is also part of the impact of the structural adjustment programme in Ghana which can be clearly seen in the social and political life of the people, to which we now turn.

The Social Impact of the ERP

The decades of economic woes, a growing external debt and the reforms undertaken under the ERP have devastated the lives of the major social groups, like the workers, peasants, women, children and even small-scale businessmen. The reform policies have exacerbated the abuses of underdevelopment such as poverty, hunger, malnutrition, disease, etc. Incomes declined below their levels in the 1970s and there was a reversal of the progress recorded in the social sector like healthcare, education, etc, in the 1960s and 1970s (Table 5.7). The

Table 5.7; Trends in social indicators

1) Education (Percentage of age group enrolled)

Primary									Secondary								
Total			Male			Female			Total			Male			Female		
1965	1980	1986	1965	1980	1986	1965	1980	1986	1965	1980	1986	1965	1980	1986	1965	1980	1987
69	73	63	82	80	75	57	65	59	13	37	35	19	46	45	7	28	28

2) Health and nutrition

Population per Physician		Population per Nursing Person		Daily Calorie Supply Per Capita			Babies with low birth weights (%)
1965	1984	1965	1984	1965	1980	1986	1985
13,740	14,890	3,730	640	1,950	1,795	1,79	17

3) Status of Children:

Children under age 5 as percentage of total population			Infant Mortality (per 1000 live births)			Percentage of age group group affected by: Wasting (12-23 mths)	Percentage of age group group affected by: Stunting (24-59 mths)	Children under 5 suffering from malnutrition 1980-86 average (percent age group)
1965	1980	1987	1965	1980	1987	28	31	30
19	20	21	119	100	92			

Source: World Bank, 1989: **Sub-Saharan Africa: From Crisis to Sustainable Growth.** PP 272,274,275 & 276.

general level of poverty and inequality in the distribution of wealth has grown. The middle class has largely disappeared, either as part of the brain-drain or has been brought down to the level of the majority of poor people. By the mid-1980s, it was clear that about 7.3 million Ghanaians out of a population of 13 million, or 55 per cent of the population, were suffering extremes of poverty. (26) As the cost of living soared due to the combined effects of the reform measures, most people turned to other means to supplement their incomes, often illegal. As a result, the level of corruption, violent crimes, theft, cheating and embezzlement by public servants increased. (27) There have also been cases of pilfering of gold by workers as well as illegal mining of gold.

Another dimension to this crisis of adjustment is the persistence of regional imbalance in economic performance between the urban areas and the rural areas. Even though poverty is generally spread, the rural areas have fared worse than the towns. There is more malnutrition, illiteracy, etc, in the rural areas than in the towns. (28) And while the price increases resulting from such measures as the removal of subsidies have affected the majority of the people equally, the rural dwellers have suffered most under the ERP. Also, the ERP has not redressed the imbalance between the northern part of Ghana and the south. While the south continues to do better in terms of provision of amenities and economically, the north has still suffered neglect. The other vulnerable groups like women and children have borne the brunt of the hardship resulting from the reform programme. The degree of damage that the economic crisis and the economic recovery programme have done to people's lives can be seen from the experience of workers and peasants under the ERP.

Workers and the ERP

The workers of Ghana have definitely suffered the worst consequences of adjustment as the social group on the frontline of the onslaught. The term workers is being used here in a general sense to refer to those in paid employment in both public and private sectors, the self-employed such as artisans, petty traders and the unemployed and their families in the major towns and cities. Workers have suffered massive retrenchments, falling living standards, price increases, higher taxes and higher costs of social services such as in education and health. Income distribution was also skewed in favour of the higher managerial and professional cadre. An oppressive and undemocratic industrial atmosphere was imposed on the working class movement throughout the period of structural adjustment.

The retrenchments which followed the implementation of structural adjustment measures have greatly depleted the ranks of the working class movement. Over 100,000 workers are estimated to have lost their jobs following the imposition of structural adjustment. This represents a reduction of about a third of the public service which was estimated to be 300,000 strong at the beginning of the ERP in 1983. The various unions fought and lost the numerous battles over retrenchments as large numbers of workers lost their jobs. From the very beginning of the ERP, it was clear that the majority of those to be retrenched would come from the lower levels of the civil service. It had been noted that the public services were heavily overstaffed at the lower levels, and it was this section of workers; poor, socially weak and politically powerless that bore the burden of the retrenchment exercise. This was clear from the official guidelines for staff reduction in the civil service and Ghana Education Service which directed the officials responsible for staff reduction to:

> List together all personnel in the following grades for each unit or organisation within the sector:
>
> a) labourers, cleaners, charwomen, drivers, stewards, cooks, porters, sweepers, messengers, security personnel and analogous grades;
> b) clerical officers, secretarial personnel, stores officers and analogous grades;
> c) executive and analogous grades. (29)

Thus, contrary to the expectations of the government, the retrenchments simply reinforced the ranks of the unemployed. The government had hoped that the success of the ERP would enable the private sector to absorb some of the retrenched workers while agriculture and other avenues for self-employment would pick up the rest. In the event, as we have seen, the ERP did not produce the anticipated success and unemployment simply rose. Even the private sector had to resort to retrenchment in order to maintain their margins of profit. The whole exercise had damaging implications for the welfare of the extended family, since many people actually depend on one person's salary. Another dimension to this problem was the inability of many public institutions to pay terminal benefits to their workers long after their retrenchment. For instance, the Ghana Broadcasting Corporation was reported to be still owing about C900 million to 580 of its former employees, while the near bankrupt State Housing Corporation owed its former workers C2.2 billion. (30)

The situation of unemployment was exacerbated by the staff reductions which took place at the local government level. After the PNDC government decided to provide only 50 per cent of the wage bill of all local authorities, many of these councils were either forced to lay off their staff or they only paid half salary. The result was that many staff lost their jobs. The employment generation envisaged from the government's Programme of Action to Mitigate the Social Cost of Adjustment and Development (PAMSCAD) has not happened. In addition to the redeployment committee set up in 1987 to organise redeployment and retraining, PAMSCAD was launched in early 1988 to further ameliorate the situation of unemployment in the country. PAMSCAD aimed to create jobs and compensate for the loss of income by retrenched workers as well as the provision of basic needs and education in neglected areas and among vulnerable groups through community initiative. At a special donors conference in February 1988, donors pledged $85 million towards PAMSCAD. Most of this money was to be directed towards the creation of employment by encouraging public works and small scale enterprises. Thus, about 40,000 jobs were scheduled to be created under the programme; 4,000 workers were to be engaged in the food-for-work project; a further 10,000 jobs were to be created in infrastructural improvements in major towns in the south while another 23,760 jobs were expected over the two years of PAMSCAD. (31)

Workers' wages have also remained low in real terms under the ERP. This is in line with the reform measures since wage freezes and restraints are seen as a concomitant of structural adjustment. The government has tried to keep wages down, so that in real terms, wages and salaries are still well below their 1975 levels. There have been numerous minimum wage increases by the government, the latest being the new national minimum wage of C218 announced on March 5, 1990. However, these have all fallen far short of the living wage, necessary to sustain workers and their families in an atmosphere of rising inflation and cost of living. Indeed, in 1987 before the recent national minimum wage was fixed, the government had actually abolished the notion of a minimum wage and replaced it with the ability of employers to pay.

However, in a situation where the cost of living had risen too high due to the combined effects of the adjustment policies, the wages paid to workers were grossly inadequate to meet their most basic needs. The cost of education, health and other services continued to rise over the entire period of adjustment and put a severe strain on workers' wages. For instance, the price of petrol increased from C235 per gallon in 1988 to C275 in 1989 and C360 per gallon in 1990. Over the same period, the price of kerosene rose from C170 per gallon to C190 and C270 per gallon respectively. (32) Rents and food prices have also gone up. The cost of food for a family of four for one day in 1989 stood at C2,000, while the landlord took as much as C100,000 rent in advance for a room. (33) Clearly, such a situation has made life very difficult for those still in employment and more so for those who are unemployed. This is a situation that is unlikely to change much in the short-term, or even in the longer term. Also, the general impression is that the purchasing power of the Cedi has weakened over the period, but as can be seen from Table 5.8, this situation seemed to improve by 1987 as workers were able to buy more of some of the essential goods than in 1983.

Workers have also had to put up with heavy tax burdens and various kinds of levies at a time when their incomes have continually fallen. Under the government's policy of attracting personnel to the higher echelons of the public service, generous salary increases and tax reliefs were undertaken. For those workers in the lower levels, tax reliefs remained low. The metropolitan councils also raised their property rates and even imposed arbitrary taxes in other areas and this was generally resented by workers. For instance, Makola market women marched in protest against arbitrary taxes by the Accra City Council, while their counterparts in Kotokraba in Cape Coast also went on strike for similar reasons. The drive by the various councils to increase their revenues often exposed people to the risk of paying the same tax twice. This prompted a worker from Obuasi to complain in a letter to a newspaper:

> I want to find out whether the Amansie East District Council is right and by law has the power to collect such tax (basic rates) from anybody who passes or travels through the district, irrespective of whether you have already paid yours in the district of your residence. (34)

The atmosphere of industrial relations also deteriorated as a result of the implementation of the ERP. Workers had opposed the structural adjustment programme from the start because of the hardship that would follow from such IMF conditionalities as devaluation, price deregulation, privatisation and retrenchment. Since then, organised labour has teamed up with students and other groups opposed to the ERP to demand its abandonment. This had put it on a collision course with the government, which on its part, was determined to implement the adjustment programme to the end. The government has therefore reacted to workers' demands and opposition to the programme by buying over influential leaders who were willing to help the government and installing them in the leadership of the Trade Union Congress (TUC). (35) On the other hand, radical union leaders were constantly harassed, intimidated and even detained as the government sought to impose industrial peace in order to attract foreign investment. For instance, the radical secretary general of the Industrial and Commercial Workers' Union (ICU), L.G.K Ocloo was continuously harassed by the government for his persistent opposition to the ERP and was finally forced into exile in 1989. Many workers have also faced detention as the government tried to stamp out any opposition to its industrial policy under the ERP.

Table 5.8: Purchasing power of the Cedi for the unskilled urban worker, 1980-87

	1980	1981	1982	1983	1984	1985	1986	1987*
Monthly wage(C)	300	300	300	543	875	1750	2250	3000
Annual wage (C)	3600	3600	3600	6516	10500	21000	27000	36000
Kilos of gari per month	66	25	21	10	26	79	39	33

1kg loaves of bread per month	50	20	13	-	-	16	18	22
Bottles of edible oil (pale oil) per month	21	14	7	4	6	16	20	25
Kilos of beef per month	7.5	6.0	3.5	4.0	3.5	6.0	7.0	6.5
Kgs of granulated sugar per month	23	19	-	-	-	19	18	22
Bottles of beers per month	42	17	25	26	14	22	24	24
Cakes of Guardian Soap per month	66	48	41	-	-	57	60	77
Pairs of Rubber Sandals (Charlie Mote) per month	29	19	18	5	8	14	18	19
Yards of Cloth Cotton print per year	89	55	26	-	-	70	64	74
Minibus Distance of Taxi Service per week	43	17	25	34	14	26	20	25

* March figures

Note: a dash (-) indicates that the commodity was virtually not on the market in the period.

Source: K. Ewusi, 'Equity Implications of IMF stabilization', quoted in Jeff Haynes, **opcit**, P.18

The Peasants and the ERP

The peasants, defined here as those who dwell and make a living in the rural areas, form the majority of the more than 7 million Ghanaians whom the ERP has failed to lift from poverty. The rural areas are home to about 69 per cent of Ghana's population, and contribute 51 per cent of the GDP and 78 per cent of the country's export earnings.(36) Despite their contribution to the national economy, the peasants have suffered neglect even under the PNDC. As a Ghanaian academic has observed;

> The peasants are indifferent politically but in spite of high cocoa prices they also suffer from subsidy removal such as cost cutting measures in the hospitals, since many small peasants produce very small cocoa per head. (37)

Ghana's rural dwellers have had to endure high charges for public services such as health care, education, etc. Yet only 14 per cent of the rural population have access to portable water, 21 per cent to modern health care and just above 2 per cent to electricity. The rural areas are the poorest in the country, especially the savannah belt. Malnutrition and undernourishment of children is higher in the rural areas.

Illiteracy rates are also higher in the rural areas, as much as 74.5 per cent, while school attendance is lower. Many children in the rural ares simply stay out of school either because the schools are few, or they drop out of school because of the cost involved. The educational reforms carried out under the ERP have drastically raised the cost of education all over the country. Parents are increasingly unable to meet the cost of their children's education as food alone takes up most of their income, with those in the lower income group spending as much as 71.4 per cent of their earnings on food alone, while even those in the higher income group spend up to 63.1 per cent. (38) At the same time, school fees have gone up, ranging from C600 - 3,000. The cost of educational materials like books, have gone beyond the reach of most parents who are also faced with numerous other levies in the schools such as Parents-Teachers Association levy, examination fees, capital fees etc. For parents with children in tertiary institutions, the cost has equally gone up and students in these institutions are now to be bonded to serve in the civil service or the armed forces for a five year period if called upon to do so. They are each bonded for C443,000, which the government says is "the total cost of tuition and the use of facilities plus interest of 30 per cent." (39)

The whole question of the introduction or increase in tuition fees and other educational levies under the ERP has certain implications for access to qualitative education for all Ghanaians. As has already become evident in the number of children dropping out of school from poor families, the high cost of education will rapidly transform it into a commodity which only the rich in the society can afford. With education being the main route for upward social mobility, the new changes in the sector will turn it into a monopoly of the elite for its own reproduction. The present situation contrasts sharply with the Nkrumah period when education was free. The point is not that the elite did not have better access to education under Nkrumah, but that the poorer sections of society also had access under a system of merit. The new situation under the ERP threatens to exclude even the brightest from poor families.

The structural adjustment programme also unleashed a series of retrogressive taxes, especially from the District Assemblies 85 per cent of which are rural, on the peasants. Some of the taxes are completely new and range from taxes on food items to property rates. For instance, a cocoa surtax equivalent to 2 kilograms per bag of cocoa, was charged to farmers in districts such as Ahafo Ano. Asikuma-Odoben-Brakwa and Asunafo. For every tonne of palm fruit taken out of Adansi-West, a levy of C500 was charged; while Tema imposed a tax of C100 for every crate of fish leaving the harbour. In Jirapa-Lambussie, cattle owners were charged C20,000 for any non-indigenous herdsman they employed. There were also other taxes such as those on the carting of canoes and timber logs which were C6,000 and C3,000 respectively. And for each child sent to school, JSS (Junior Secondary School) construction and furniture fee of C1,000 and C500 respectively, were paid. (40)

In addition to these, there were other pressures which combined to plunge the rural areas into more poverty in the period of structural adjustment. We have seen that even though most of the people are involved in agriculture and could have benefitted from the ERP, other policy measures implemented under the programme tended to turn the domestic terms of trade against them. The privatisation of fertilizer not only raised the prices but also made its use unprofitable. The increase in petrol prices also increased transport costs and the prices of agricultural inputs, thereby making it unprofitable for farmers to engage in agriculture other than on a subsistence basis. With the PAMSCAD projects like food-for-work yet to be effectively put in place, the people of the rural areas have remained helpless and vulnerable to the hardships brought by the ERP. Their position of political weakness like that of most Ghanaians, has not changed for the better under the ERP.

The political impact of the ERP

The economic liberalisation that has been carried out through the structural adjustment programme has not been matched by political liberalisation in Ghana. Indeed, the political condition on which the implementation of the ERP was to be made possible was that of repression, dictatorship and the violation of human rights rather than political openness and democracy. The ERP as was the case elsewhere in Africa where structural adjustment has been implemented, had failed to command a broad-based political consensus from the people. Thus, in the absence of the necessary political support for the structural adjustment programme, the only way it could be implemented was through authoritarian and undemocratic rule. As it was also clearly demonstrated in Africa during the 1980s, the implementation of structural adjustment required the existence of a government that was undemocratic in both its constitution and actions. Furthermore, because structural adjustment was usually undertaken as a result of external pressure from Western creditors and supervised by the IMF and World Bank, its implementation required a government that was both undemocratic and receptive to these external pressures, interests and supervision. This has largely been the experience of Ghana since the imposition of the ERP in 1983.

However, both the IMF and the World Bank became advocates for democracy and good governance in Africa from about late 1989. In the case of the World Bank, this change was clearly brought out in its major long-term study entitled **Sub-Saharan Africa: From Crisis to Sustainable Growth,** published in November 1989. In this study, the World Bank called, among other things, for greater democratisation and participation of the people in decision-making and implementation, as part of the strategy to achieve sustainable growth. The Bank has continued to put pressure on its clients in Africa to introduce political liberalisation, multi-party democracy and good governance. The Bank even went so far as to advocate that aid be made conditional upon the political reforms required.(41) It is arguable that this change in the Bank's position was influenced by the sustained opposition to structural adjustment within African countries. But it was probably the changes in Eastern Europe more than anything else which influenced the Bank. In Eastern Europe, the pro-democracy movements which overthrew the Communist governments were committed to multi-party democracy and the move to a market economy. Most of these countries went on to embrace the market economy and implemented the kind of reforms which the Bank and the Fund have been doing in Africa for a decade. Thus, Eastern Europe was a refreshing example of the complementarity of political and economic liberalisation which Africa would do well to adopt.

The coup which brought the PNDC to power at the end of 1981 was widely supported by the people. The PNDC therefore enjoyed popular support in the early part of its tenure. This was very much helped by its populist rhetoric and the mobilisation of the people by involving them in government. Thus, for the first time, the people were able to exert greater political influence through the People's Defence Committees and Workers Defence Committees. However, political consensus ended with the imposition of the ERP. Influential social groups like the workers, students, intellectuals were opposed to the ERP from the beginning because of the damage they understood it would inflict on them and the country. As the government became isolated even from its own allies, the workers, students and the radical political groups which were initially represented in the PNDC, it imposed a culture of silence and effectively forbade any open discussion of the adjustment policies at the national level. A de facto war was waged against all those who declared their opposition to the ERP.

The implementation of the economic recovery programme went hand-in-hand with the unleashing of a repressive and murderous reign of terror by the PNDC. Civil liberties have been attacked largely through arbitrary arrests and detentions of individuals by the PNDC. These acts were mainly done under PNDC Laws 4 and 91, which allow the PNDC to incarcerate Ghanaians without any recourse to the due process of law. Thus, many people, workers, journalists, students, intellectuals, lawyers and other opponents of the PNDC were frequently arrested and detained. While in detention, many of them have been tortured and killed by agents of the government. Many individuals have also been killed outright by security agents while others were lucky enough to escape into exile. On the whole the number of people who were detained without trial as political prisoners was unprecedented. The violence and arbitrary rule of the PNDC was directed at the whole society including even the Church. The latest PNDC attack on the Church was the passing of a law in June 1989 (PNDC Law 221) forbidding the spread of new churches without state permission. The government justified this law on the grounds that certain churches were being used as meeting places to plan the overthrow of the government. The churches have also had some of their leaders murdered by agents of the government because of the churches' opposition to the economic policies of the government. (42)

The press has not survived the authoritarian rule of the PNDC. Not only were journalists harassed and intimidated, press freedom was also effectively liquidated. The government prevented any balanced and objective news presentation in the national media and went on to pass a law which allows it to determine what kind of newspapers it should allow to operate. The PNDC Law 211 gave the government the power to register the newspapers of its choice. Having stamped out criticism by and through the press, the government attempted to further tighten its hold on political opposition by using its power over the press to see that only its views on the economic reforms are heard.

Another consequence of the structural adjustment programme has been the militarisation of policies and the subversion of the democratic process in Ghana. Despite the rhetoric of the PNDC on coming to power about the necessity of establishing "true democracy" in Ghana, the government became more unaccountable and unwilling to return the country to a true democratic society and politics. The isolation of the government from the people and its war on groups and individuals opposed to it has forced it to resist the demands for a return to a freely elected representative democracy in the country. Even the establishment of the National Commission for Democracy under D F Annan, Vice-Chairman of the PNDC, has not resulted in any significant move towards democracy in Ghana. Also, the creation of elected District Assemblies on a no-party political basis has not brought democracy to the rural areas and the country.

Instead, the government has used the situation to tighten its grip on the rural population. The government appointed one-third of the members of the District Assembly and the District Secretary. The other two-thirds of the members had to be cleared to stand for elections by the National Commission for Democracy, and this provided the opportunity for only those who supported the government to be elected into office. Furthermore, the government's control over this 'democratic' process at the grass roots level by the provision that the District Assembly shall in the discharge of its functions "be subject to the general guidance and direction of the Central Government as to national policy". (43) This failed to impress the people as they largely stayed away from both the registration of voters and the elections, encouraged also by the campaign of Teachers and other workers for the boycott of the elections. Thus, by resorting to these methods of dealing with opponents, the government has abandoned any intentions to move the country towards democratic rule altogether. The government is intent on staying in power for as long as possible and therefore, there is now less talk about establishing the foundations of a true democracy than when it came into office. Instead, the foot-dragging over the return to democratic rule is excused by the government on the overriding need to achieve economic recovery and development before undertaking any serious democratic reforms.

The structural adjustment programme has made the country more unstable politically, in spite of the fact that the government has been in power since the end of 1981. No doubt, the ability of the government to survive for over eight years has been instrumental to the continuing progress of the ERP and the large pledges of foreign aid by donors for the programme. However, the failure to attract foreign private investment can also be attributed partly to the unstable political situation in the country. Not only has the opposition to the adjustment programme and the government increased, the survival of the regime is constantly on the line. The government has had to put down several challenges to its legitimacy by striking workers, students, market women etc, with increasing use of violence. It has also faced over ten coup attempts since 1982, at least one of which almost succeeded in unseating it. This apparent lack of consensus within the military constituency of the government has remained a major source of instability. Hence the tightening of control over the military by the PNDC through the assumption of direct command of the armed forces by the PNDC Chairman, Flt. Lt. Rawlings, in September 1989, after another attempted coup which involved a close friend of Rawlings. (44) A further evidence of this instability is the disturbing frequency in which the composition of the PNDC is changed. Many members of the PNDC have been forced out of office by the decision of the Chairman, Flt.Lt. Rawlings. Most of them have fled into exile to escape possible harm from the government. At another level, other professionals who felt threatened by the political repression of the government also left the country to seek a better life elsewhere. This has added to the credibility problems of the government.

Another consequence of the political fall-out resulting from the adjustment programme is that as domestic opposition to it mounted, the government was driven into a closer co-operation with the IMF, the World Bank and Western creditors. This put the sovereignty of the government over the management of the economy into doubt, because it resulted in the IMF and the World Bank exercising greater influence in the running of Ghana's economy. Foreign experts from the IMF and the World Bank are everywhere in the economy. They are in the Ministry of Finance where they oversee the budgetary process, they are also in the Central Bank where they supervise the implementation of monetarist and other ERP policies. They are also to be found in other sectors of the economy like agriculture, particularly the rehabilitation of cocoa and timber; they have been involved in rehabilitating the transport sector, industry, housing, education, and PAMSCAD. With this level of involvement in the economy at both the level of policy and implementation, it has been argued with some justification, that the structural adjustment programme has eroded Ghana's sovereignty over the economy. It was therefore easy for policy reforms to be carried out beyond what was politically tolerable for the government because the levers of decision-making were largely out of its hands.

There is also the over-stretching of an over-burdened and thinly staffed public administration through numerous debt rescheduling meetings, negotiating loans with donors or dealing with IMF and World Bank missions on various aspects of the economy. Not only do public officers with the expertise get too involved in these endless meetings and negotiations instead of managing the economy, it also leads to waste of scarce resources that would otherwise have been used to revamp the economy, on meeting the expenses of foreign experts and travel expenses of public officers abroad. This is a form of resource drain that the economy can do without, especially in view of the dearth of high calibre officers in the right places. Although it is difficult to measure the extent of waste involved in this practice, it is something that a country like Ghana can ill afford.

This high degree of external influence over the management of the economy in the period under study has also clearly shown that the success of ERP was induced by the comparatively generous flow of Western aid. However, one thing that has clearly emerged from Ghana's experience of structural adjustment is that its success depends very much on the continued inflow of significant levels of aid as well as the survival of the PNDC. The survival of the government also depends on the success of the ERP.

While there is no doubt that Ghana's economy needed such reforms as financial discipline, keeping budgets in line with revenues, paying the farmers a fair price, eliminating corruption in the administration of foreign exchange, etc., it is difficult to see how Ghana can develop through the ERP as it was implemented in the 1980s. This is because the economy is not suited to the shock treatment of structural adjustment as we have seen. Structural adjustment has not integrated the economy nor is it likely to do so. And with the inherent tendency of the economy to generate crisis as well as absorb others from outside, the crisis will deepen at the slightest misfortune.

The Ghana economy will also become increasingly dependent, especially in the difficult and changing global economic environment of the 1990s and beyond. The international economic environment will continue to determine to a large extent whether Ghana will develop through this ERP strategy of export-oriented growth, economic liberalisation and openness. To that extent, Ghana's future development is outside her control since the international dimension of the economic crisis has become more dominant. Thus, if as it is feared, donors and investors become more interested and involved in the East European market as a result of the recent changes there, the consequences for African countries will be serious. The loss of foreign aid and investment for a country like Ghana which has been favoured by donors will throw the recovery process into confusion. This is the power that the external economic environment has over weak African economies like that of Ghana.

There is growing concern among Ghanaians and observers alike that the ERP may in the end leave Ghana in the same condition of crisis that it first found it, and after nearly a decade in operation. (45) There is clear evidence that for most Ghanaians life in the decade of implementing structural adjustment has become a very desperate struggle. While this cannot be blamed entirely on the structural adjustment programme, it can be argued that the programme has not positively altered the situation in any significant way. The government has responded by pointing to the successes so far achieved while pleading for more time for the programme to produce all the desired results. The problem, however, is that time seems to be running out for Ghana as much as for the other African countries. Ghana faces the same problems in the 1990s as she did in the 1980s, and she will have to do more to break out of the cycle of crisis and move towards sustained development. There will have to be a change in direction towards production for the domestic market, emphasis on producing more food, reversing the capital flight and retaining it for re-investment, greater investment in human development, and working towards greater regional integration, especially within the Economic Community of West African States (ECOWAS). These, among others, may yet hold the key to sustained development in African countries in general, and Ghana in particular.

Note and References

1. Quoted in Patti Waldmeir, "Adjustment Fatigue Sets in"; in **Ghana: Financial Times Survey**, 20 May 1986, P.15

2. This seems to be the subject of the World Bank's current views on structural adjustment in Africa. See The World Bank 1989: **Sub-Saharan Africa: From Crisis to Sustainable Growth.**

3. Caio Koch-Weser, "The World Bank Analysis", in **HOME FRONT**, Vol. 8 No. 2 March-August 1989, P.2

4. **West Africa**, 15-21 January 1990, P.48

5. West Africa, 22-28 January 1990, P.84

6. **Ibid.**

7. J.L. Abbey, "Foreign Aid and Foreign Debts: The Balance Sheet", in **HOME FRONT**, Vol. 8 No. 2, P.1

8. Kwame A. Ninsin; "Ghana Under the PNDC; Delinking or Structural Adjustment?" in Azzam Mahjoub (ed) 1990; **Adjustment or Delinking? The African Experience.** London (UNU/Zed) P. 146

9. Kwasi Kamasa; "Ghana's National Sovereignty at Bay; Confiscation of Economic Decision-Making of a Neo-colonial State by the IMF/World Bank", in **Revolutionary Banner**, No.12 December 1989, P.5; and West Africa, 29 January - 4 February 1990, P.128

10. This is a point which Adebayo Adedeji makes for the whole of Africa. See West Africa, 8-14 January 1990, P.15.

11. This view was expressed by the IMF staff representative at the Paris Meeting of the Consultative Group for Ghana, in February/March 1989, and reported in **HOME FRONT**, Vol. 8 No. 2 March-August 1989, P.5.

12. **Ibid**, P.6

13. West Africa, 25 December 1989 - 7 January 1990, P.2165

14. **Ibid.**

15. Setorwu Gagakuma, "Ghana's Real Economy" in **New African**, February 1990, No. 269 P.30

16. For more discussion on this see Kwesi Jonah, "Structural Adjustment and Industrial Underdevelopment in Ghana", 1990, P.16

17. See West Africa, 5 - 11 March 1990, P.359

18. Kwame Asiedu-Saforo. "Economic Reform Programme and Agricultural Development: Macro Policy Sequencing in Ghana, 1983-88" in **Food Policy**, November 1989, P.363.

19. **Ibid**, P.365

20. **Ibid.**

21. See John Toye "Ghana's Economic Reforms 1983-7: Origins, Achievements and Limitations" in James Picket and Hans Singer (eds) **Towards Economic Recovery in Sub-Saharan Africa**, London (Routledge) 1990, P.61

22. See Thomas M. Callaghy, "Lost Between State and Market: The Politics of Economic Adjustment in Ghana, Zambia and Nigeria" in Joan M. Nelson (ed) **Economic Crisis and Political Choice: The Politics of Adjustment in the Third World.** New Jersey (Princetown University Press) 1990, P.282

23. **Ibid.**

24. See, **West Africa** 24 December 1990 - 6 January 1991, p3116; and **West Africa** 9-15 September 1991 p1503.

25 . **West Africa**, 18-24 September 1989, P.1569

26. Jeff Haynes: "The International Dimensions of the Sub-Saharan African Debt Crisis: A Case Study of A 'Success Story'". Paper presented to the Political Studies Association Conference, University of Warwick, 4-6 April 1989, P.15

27. The PNDC Chairman, Flt. Lt. Jerry Rawlings, spoke out against this in his State of Nation broadcast in early 1990; see West Africa, 15-21 January 1990, P.49

28. See Kojo T. Vieta; "The living is hard", in West Africa, 5-11 February 1990, P.170

29. Quoted in Kwesi Jonah; "The social Implications of Ghana's Adjustment Programme, 1983-86" in Bade Onimode (ed) 1989; **The IMF, The World Bank and The African Debt: The Social and Political Impact.** London (IFAA/Zed), P.144

30. West Africa, 29 January - 4 February 1990, P.151

31. See Nicholas Van Hear, 1988; "Labour and Structural Adjustment in Nigeria and Ghana", P.20-21

32. West Africa, 22-28 January 1990, P. 84

33. West Africa, 26 March - 1 April 1990, P.484

34. West Africa, 4-10 September 1989, P.1457

35. This was clearly demonstrated in the support given to A K Yankey by the government in the elections to office of Secretary General of the TUC. Meanwhile, his opponent, the radical leader of the Industrial and Commercial Workers Union, L G K Ocloo, who was seen by the government as a threat to the smooth implementation of the ERP, was prevented from winning the election.

36. West Africa, 9-15 April 1990, P.574

37. Kwesi Jonah's observation was in Jeff Haynes, **opcit** P.23

38. Kojo T. Vieta, **opcit.**

39. West Africa, 9 - 15 April 1990, P.598

40. Kofi Kasah, "Burdensome taxes", in West Africa, 4-10 September 1989, p.1456-57

41. See, World Bank; 1989 **Opcit**, p15

42. The poor human records of the PNDC regime have been widely reported by such reputable organisations like Amnesty International. In a report on Ghana (AI Index: AFR 28/03/83) published in July 1983, Amnesty International expressed concern over the human rights situation in the country. It reported that well over 100 people were detained for political reasons throughout 1982 (P10-14). It also reported that arbitrary killings were common occurrence at the time; with the Association of Recognised Professional Bodies issuing a list of some 200 named victims murdered within the period. Perhaps the most widely reported murders were those of three judges and a former army officer who were abducted and murdered on 30 June 1982. Several members of the PNDC were linked with these murders but only one of them (Joachim Amartey-Kwei) was tried and subsequently executed. Amnesty International also reported further detentions (AI Index: AFR 28/12/87) of people, including former members of the PNDC. The human rights organisation, **Africa Watch**, has also published similar detailed reports on human rights violations by the PNDC regime. See especially **Africa Watch 14 July 1989**. See also **African Concord 4 September 1989**,P.28-30.

43. Republic of Ghana, 1987; District **Political Authority and Modalities for District Level Elections**, P.3

44. This latest coup attempt led to the arrest of Major Courage Quarshigah, a close friend of Rawlings, who was himself instrumental in putting down a serious coup in June 1983. For other people were also arrested, one of them (Flt. Lt. William Domie) died in detention. Earlier in September, the Commander of the armed forces, General

Arnold Quainoo, was removed and demoted to a less powerful position as Chairman of the Economic Planning Committee.

45. This is also the conclusion reached by Opoku Afriyie, a Ghanaian academic; see West Africa, 9-15 April 1990, P.575; the World Bank also came to the same conclusion in the general context of Sub-Saharan Africa, see **Sub-Saharan Africa: From Crisis to Sustainable Growth.**

CHAPTER 6

ECONOMIC CRISIS, STABILISATION AND STRUCTURAL ADJUSTMENT IN NIGERIA: 1982-89

Nigeria emerged at independence in 1960 (like Ghana before her) full of promise because of its size, potential wealth and a potentially large internal market as the most populous country in Africa.Its potential in natural wealth and market size was increasingly realised after independence. Not only is the country endowed with a large population (estimated to be 103 milion in 1986), it is also well endowed with resources such as fertile land, marine and mineral resources.

Agriculture occupied, and still occupies a central place in the lives of Nigerians despite the dominance of petroleum in the economy. Agriculture still directly supports 65 per cent of the population. It was also the main stay of the economy before petroleum became dominant, partly causing an absolute decline in agriculture (Table 6.1). Nigeria is also well endowed with such energy resources as hydro electricity where the estimated capacity is 9,405 MWH,even though only about 10 per cent of it is being utilised. For coal the estimated reserves are placed at 350 million tons with further indication that this may be up to 1 billion; but current production stands at only 0.3 million tons. Crude oil reserves are put at 1.37 billion barrels while undiscovered reserves are estmated to be about 1.1 billion. Proven natural gas reserves are 85 trillion standard cubic feet and undiscoverd reserves are placed at about 65 trillion standard cubic feet(1). Uranium and other minerals are also found in Nigeria in varying quanties . With all these, Nigeria's potential for diversified development was assured.

Nigeria's first decade of independence was taken up in addressing the political crisis which eventually destroyed the new fragile democracy just five years after independence in 1966, and the civil war which broke out in 1967. The political legacy left behind by the former colonial power was part of the problem. The federal arrangement provided for a weak central government and three very powerful regions which were large enough to challenge and defy the central government. In addition, the Nothern Region was given what amounted to a political veto by the allocation of half of the seats in the federal parliament. As a result, the centre was used by the regions as an arena for rivalry which aimed at drawing resources from the centre to them. The rivalry became increasingly vicious and violent, ending in the overthrow of the civilian government and civil war. In this situation, national economic policy and planning inevitably suffered.

After the political crisis and the civil war which began in 1966 ended in 1970, Nigeria witnessed a dramatic expansion in oil production and revenues throughout the 1970s and the early 1980s. This gratuitious windfall from oil enabled the Federal Goverment to expand its expenditure both domestically and externally, with a new found confidence. At home, there was massive spending in all sectors from social services to infrastructure, etc. Abroad Nigeria became more active in its foreign relations and even played a 'leadership role' in Africa during the 1970s. This was the era of 'spraying diplomacy' in which Nigeria made generous financial support to liberation movements in Africa as well as to independent states. The large oil revenues made the government so confident that some leading functionaries triumphantly declared that Nigeria's problem was not money, but how to spend it.

Like all good things, Nigeria's dream prosperity ended in serious economic crisis. Though the warning signs came in 1978, it was not until the early 1980s that the country was engulfed by the crisis.Thus,like Ghana , Nigeria was thrown into a severe, though much milder economic crisis.The promise of prosperity which was evident at independence in 1960, was replaced 25 years later with deep economic crisis.The country had moved from food sufficiency to massive deficiency; the economy performed badly in all respects, there was rising inflation, unemployment, debt, etc. All this happened inspite of the fact that in these 25 years, the country earned #93.0 billion from export of crude oil alone, of which #82.4 billion was earned since1975 while #24.8 billion was actually earned between 1982 and 1984 when the crisis was acknowledged.(2)

There were also additional external pressures such as falling oil prices and volume of exports as well as the recession which had also hit the industrialised countries. Like Ghana and other African countries, Nigeria was forced to undertake stabilisation measures at first, and structural adjustment programmes, subsequently under the supervision of the IMF and the World Bank. Throughout the rest of the 1980s, Nigeria like the rest of Africa, was preoccupied almost exclusively with structural adjustment, debt service and rescheduling, and related matters. The national life as well as external relations of the country came to be dominated by the structural adjustment programme, debt negotiations, the IMF, the World Bank and Nigeria's external creditors. The aim was to turn the economy around through 'economic reconstruction, social justice and self reliance'.(3)

This chapter looks at the causes of Nigeria's economic crisis and discusses the stabilisation measures and structural reforms undertaken to resolve it. The policies pursued by successive governments since 1970 will be analysed in relation to the role they played in bringing about the crisis. The domestic political context of the adjustment process is also discussed. We identify the political coalitions involved and the role they played in the formulation of the adjustment measures adopted. The various arguments advanced in the adjustment debate and their proponents are also discussed. We raise the question of the extent to which the various governments have addressed the structural problems of the Nigerian economy to date.

Background to the Economic Crisis,1970-79

The Nigerian crisis like those of the other African countries, was the result of a constellation of forces ranging from structures of underdevelopment, dependence,excessive capital accumulation through the use of the state by the domestic ruling elite and the multinational corporations. Also, the Nigerian state did exhibit the tendencies which we identified with the post-colonial state in Africa in ~~the~~ chapter 2. In this sense, the state has not been an agent of development as was the case in South Korea, for instance. The manner of its involvement in the economy was predatory and obstructive to national development. This was reflected in the inappropriate and distortionary policies which were undertaken by successive governments. It was these factors which combined to generate the crisis while the pressures from the external environment helped to reinforce it. So that even though the crisis became severe after 1980, its roots go further back than that.

A typical example of a post-colonial economy, Nigeria has always been inherently weak, vulnerable and dependent on external forces whose control over the economy remained strong.It is also characterised by extreme distortions and lack of complementarity between the various sectors,while at the same time it was being integrated into the world economy in such a manner that its capacity for independent developement has been severely limited. It also follows that the economic well being of the country is determined as much (if not more) by these external factors, as by domestic problems. For instance, even after independence in 1960, the Nigerian economy remained a monocultural outfit dependent at first on agricultural commodity exports for its foreign exchange earnings. And from 1970, it has relied entirely on crude oil export earnings.As it was in the colonial period, the country continued the role of a major primary commodity exporter and a large importer of manufactured consumer goods. This made the country extremely vulnerable to falling commodity prices which it did not determine, to the extent that the well being of the economy was directly dependent on the prices which these export commodities fetched. It is not surprising that for a country like Nigeria where oil export earnings account for over 90 per cent of the foreign exchange, literally everything is dependent on price movements on the oil market. This is a serious form of dependence and weakness.

The industrial sector remained weak and very much an extension of the activities of multinational corporations whose subsidiaries dominated activities in the sector. Moreover, industrial production was mainly of the assembly type and for consumer items. This sector was also integrated into the world economy rather than the local economy especially through its dependence on its parent multinationals for most of its inputs.This was to intensify after the civil war when import-substitution policies were strenghtened. The activities in this sector have helped to aggravate the distortions in the economy. The industrial sector did not have any constructive relationship, which would have benefited the economy, with agriculture. This has partly left the agricultural sector in a primitive and unproductive state inspite of the huge amounts of money that have been spent in this sector since 1970.

It is the role of oil that perhaps provides the best example of the distorted nature of the structure of the Nigerian economy.Since oil production began in 1958, activity in this sector has remained

> essentially a territorial enclave activity... in view of its special extractive bent and practically unrelated to the domestic economy

> except through payments into the coffers of the Federal Government-the dominant element of the so-called "fiscal linkages"-minor employment of "natives", and minor but distortionary payments for local contract services.(4)

This lack of any effective real linkage of the oil enclave with the domestic economy meant that hardly any benefits were derived from the rapid and large increases in oil incomes. Instead, the massive oil revenues were highly inflationary and distortionary and led to unbalanced development in the economy. It increased economic rents both for the government and a few people, but it did not lead to increased demands for either local labour, or investment or indeed domestic production. The level of distortion which the oil enclave,mediated by the obstructive role of the state, promoted in the domestic economy has been summed up by Okongwu:

> We have a technology - economic dualistic structure - a highly advanced and productive oil enclave which is in the territory in a purely geographical - legal sense, and a low productive domestic sector wich produces for the domestic market, which production is further supplemented by importables mediated through the export receipts of the enclave. Since no linkages exist between the two partitions of of the territorial economy, real growth impulses from the enclave cannot be imparted to the domestic economy through the economist's multiplier- accelerator coefficients because such coefficients are non-existent.(5)

The point here is that the kind of investments generated by the oil enclave led to economic activities of a distorted nature, as we have discussed below.

In addition to these structural weaknesses, the kind of policies adopted in the management of the economy since 1970 has contributed to the crisis which the country later faced. One of these was the intensification of import-substitution which was in turn based on massive importation of virtually all the inputs. This was made possible by the huge resources the government had from the rents on oil activity. The unprecedented increase in oil revenues enabled the government to play a leading role in the economy. This was clearly shown in the massive expansion of planned capital expenditure in subsequent national development plans. Whereas the second national development plan of 1970-74 was only #3 billion the third development plan (1975-80) was launched with a public investment programme of #30 billion, and revised one year later to #43.6 billion while the fourth plan (1981-85) was #82.5 billion.

This massive increase in government expenditure did not stimulate domestic production activities since its main thrust was on the construction and service sectors (Table 6.2) fed by imports. With oil revenues accounting for an average of 73 percent of total government revenues between 1970 and 1987, for example, imports became an easy option. With the major part of state revenues now derived largely independently of production activities in the domestic economy, the government felt secure enough to go into a spending spree. The government started a massive programme of construction and infrastructural development after 1970. These ranged from road, to sea ports,airports, etc and were based on the importation of inputs. This way, the contract system was expanded and the country was drained of its foreign exchange because of the high import content of the construction sector. The importance which government attached to this sector was underlined by the fact that transport and communication accounted for the largest share of capital outlay, with transport alone accounting for about one-quarter of all capital expenditures between 1970 and 1980. (6)

The increasing role of the public sector role in the economy was further demonstrated by the government assuming control of the 'commanding heights' of the economy after 1970. With the coming into being of the indigenisation decrees of 1972 and 1976, the government acquired commanding shares in the oil sector, banking and insurance, and to a lesser extent, in other industries. Through the same decrees, Nigerians acquired ownership or participation in various categories of industries and businesses. In addition, there was a dramatic rise in the number of parastatals set up by the government. These included refineries, the fertilizer complex, the iron and steel complex, vehicle assembly plants, banks, hotels, and virtually every sector or area of economic endeavour saw the involvement of the government at both the federal and state levels. All of these ventures involved the leakages of the resources of the country because of their very high import contents. Indeed, all the industries and parastatals were heavily dependent upon the import of their inputs such as machinery and increasingly, raw materials.Even though these economic activities created more employment for Nigerians,they had few linkages with the rest of the productive sectors of the economy,and thereby perpetrated the distortions in the economy.

TABLE 6.1

SHARE OF AGRICULTURE IN GDP AND EXPORTS: 1964-80

YEAR	ALL SECTORS (# million)	AGRICULTURAL SECTOR (# million)	PERCENTAGE OF AGRIC.	AGRICULTURE AS % OF TOTAL EXPORTS
1964	2,745.8	1,673.8	60.96	70.80
1965	2,894.4	1,676.4	57.92	61.01
1966	3,110.0	1,691.6	54.59	51.50
1967	3,374.8	1,855.0	54.97	49.75
1968	2,752.6	1,527.8	55.50	57.75
1969	2,695.2	1,415.2	53.28	40.73
1970	3,549.3	1,711.7	48.23	32.38
1971	5,281.1	2,576.4	48.49	20.73
1972	6,650.9	3,033.7	43.61	13.54
1973	7,187.5	3,092.7	43.03	12.67
1974	12,118.0	3,352.1	27.66	5.31
1975	16,462.8	3,940.0	23.95	5.21
1976	19,431.7	4,579.5	23.96	3.87
1977	23,826.0	4,898.3	20.56	5.74
1978	26,758.5	5,143.4	19.22	7.32
1979	27,370.2	5,389.1	19.69	4.60
1980	31,424.7	5,656.8	18.00	-

Source: Liman,M. "Prospects and problems of Agricultural Development in Nigeria", ABU Public Lecture Series, 29/7/82; and quoted in, Abba,A. et al; **The Nigerian Economic Crisis: causes and solutions,** Zaria (Gaskiya Corporation) 1985, p.18

TABLE 6.2

COMPOSITION OF INVESTMENT FOR SELECTEDYEARS: PER CENT

	1965	1970/71	1975/76	1979/80
Building and construction	60.2	53.0	66.5	63.6
Transport Equipment	10.4	18.5	14.1	16.5
Machinery Equipment	29.4	28.5	19.4	19.9
	100.0	100.0	100.0	100.0

Source: Ohiorhenuan,J.F.E;1989, **Capital and the state in Nigeria (Greenwood** Press) p.184

The growing tendency by the government to embark on massive public investment in what became white elephant projects was later carried over to agriculture. This began with the setting up of Agricultural Development Projects (ADPs) in association with the World Bank in 1975/76.These were followed by the River Basin Development Authorities (RBDAs) and large irrigation projects. These projects were costly capital-intensive,large-scale mechanised ariculture which consumed huge sums of money. For instance, the World Bank projected that investment in the ADPs would reach $5 billion in the 1980s, while by 1985 the RBDAs had consumed ₦5.928 billion to irrigate only 240,000 hectares.(7) These projects drained the country of foreign exchange, which component was as high as 40 per cent of total investment. Most of this money went to the multinational corporations which supplied machinery, fertilizer, chemicals,etc,and the numerous experts whose remunerations were paid in foreign exchange.Moreover, these projects produced mainly wheat, rice, maize,and vegetables. Despite these huge expenditures (Table 6.3) agriculture stagnated throughout the decade as oil became dominant, while food imports rose from #1.00 billion in 1978 to #1.9 billion in 1983.

Another consequence of the oil boom was that it led to the liberalisation of external trade which had now become very important. Thus, tariffs were liberalised between 1974 and 1977. For instance, the 1974/75 budget granted further reductions in import duties; it abolished excises on twenty - five categories of goods and reduced excise rates on other excisable goods. Also in 1975, import duty on consumer goods were further reduced, in several cases to zero. The ban on some imports, especially food, was lifted. In 1977 there was further reduction of duty on raw material imports.(8) On the whole, the economy became more open as a result of the liberal policies of the government.

Table 6.3

PUBLC CAPITAL EXPENDITURE IN THE AGRICULTURAL SECTOR:1962-85 (#'million)

YEAR	FEDERAL EXPENDITURE	STATE EXPENDITURE	TOTAL
1962-68(1)	10.961	41.5962	52.623
1970-74(2)	34.023	93.263	127.286
1975-80	1,112.598	1,188.582	2,301.18
1981-85(3)	5,400.00	3,427.531	8,827.531

notes:

(1) Actual Expenditure
(2) Estimate
(3) Including Local Government

Source: Yahaya A. Abdullahi, ''Comments on Press Briefing by Minister of Agriculture,'' in **New Nigerian** 18/2/85 p.2; and quoted in Abba, et al **Ibid** p36

The generally liberal tariff policies operating at the time led to the flooding of Nigeria with cheap imports. This situation was exacerbated by high rates of inflation and the appreciation of the naira. This era of boom saw the dramatic expansion in the volume of imports of goods and services, exceeding that of exports. Nigeria became virtually a dumping ground for all manner of goods. As Okongwu has observed:

> The structure of merchandise imports is also instructive. In 1975 imports of consumer goods accounted for 32.3% of total imports,capital goods 40.6%, and raw materials 27%; by 1980 consumer goods had slightly dropped their share to 30.3% while capital good, after peaking at 45.8% in 1978, comprised some 44% and raw materials 25.7%. The sub-class of food imports rose sharply from 9.5% (#353.7 million) of total imports in 1975 to 15.6% (1,417 million) in 1980.(9)

Also arising from the liberal tariff policies of the government was the fact that production was discouraged in favour of commercial activity.The flooding of the country with cheap imports made the industry uncompetitive as its production costs were increased due to the difficulty in obtaining import licences. This made commerce profitable since it required lower capital input,and as a result, capital was diverted away from productive activities into trade. This kind of distortion endangered any possibility of future self-sustaining development.

The oil boom was further misused by the government to expand the public service not only at the federal level but also in the states which were themselves increased to nineteen in 1976.Together with this, salaries and wages were increased in a rather inflationary way. For instance, through the Udoji awards of 1974, the government raised the minimum wage from #312 per annum to #720 and adjusted other levels accordingly. Moreover, these awards were back-dated by some nine months and arrears of about #859.3 million were paid to 700,000 civil servants in 1975.(10) The private sector was also forced to carry out wage increases of the same magnitude. This added pressure to the inflationary situation that was itself generated by the other government policies adopted at the time.

Another major factor behind the crisis which engulfed Nigeria in the early 1980s was the process and level of accumulation by the ruling elite after independence.This was effectively done by using the state as an instrument of accumulation of capital as well as through other corrupt means. The Nigerian ruling elite became confident and strong enough to use the state this way after 1970, when the civil war had ended and the country was deriving large amounts of revenue from oil.

The first thing they did was to demonstrate this new power by using the state to increase their role in the economy. Before 1970, Nigeria's economy was largely under foreign control, mainly transnational corporations and middle-Eastern and Asian businesses. These effectively squeezed out the local ruling elite from any significant involvement in the economy. The end of the civil war was therefore an opportune time for the local elite to make their move.

The first evidence of this was the promulgation of the Nigeria Enterprises Promotion Decree (also Indigenisation decree) in 1972. The decree transfered certain businesses wholly, and others partially, to Nigerians. Meanwhile, the government itself took control of the banking and financial sector as well as the oil sector,by acquiring the majority shares.(11) The elite in government as well as those in the private sector (especially in the Lagos Chamber of Commerce) were united in pushing for this control of the economy . This was borne out by the fact that it was mainly to this group that businesses were transfered during the first indigenisation programme.The top eschelon of the civil service, the government and the military joined their colleagues in the private sector to acquire large shares in the businesses that were indigenised. To assist them in getting the capital to buy shares, the state set up institutions like the Nigerian Bank for Cormmerce and Industry, the Nigerian Bank for Agriculture and Cooperatives, the Capital Issues Commission, and the Nigerian Enterprises Promotion Board.

Also, through its control of the three large commercial banks (Barclays, Standard and United Bank for Africa) which were hitherto foreign owned, the government appointed Nigerians from among the elite to the boards of the banks to get them to give loans for the acquisition of businesses and shares. The local elite supplemented its enormous advantages by acquiring shares and businesses through 'fronting'. This was an arrangement in which the Nigerian assumed nominal ownership of the enterprise without paying anything to the owner,but with the guarantee that the payment for the shares would be redeemed from profits from the few shares that were actually transfered, while still leaving the expertriate owner in effective day to day control

Another strand in this accumulation process was the use of state policies to promote rent-seeking activities among the ruling elite. The contract system became the dominant expression of this tendency.It found its fulfilment in the massive capital expenditure programmes of the military government. Infrastructural construction of roads, ports, schools, hospitals, industries,and the like,gave to the elite in government and the private sector the ability to extract economic rents. This is what the infamous '10 per cent' was all about, that is, the practice of inflating the costs of contracts so astronomically to enable the government officials get 10 per cent of the total cost of the contract while the contractors were guaranteed huge profit. It was usual for contract costs to be inflated by twice or three times what they should have been. This made contracts more costly in Nigeria than even some relatively rich African countries (Table 6.4). Thus, production was discouraged because it was not profitable and Nigerians became 'general' contractors,middlemen,and consultants. They were joined in these rent-seeking activities by foreign contractors, middlemen and consultants. It therefore became impossible to transact any business without some rent being paid out to the bureaucratic elite and middlemen and this became a standard requirement in concluding contracts or even foreign loans. The large budget provisions for all sectors, from defence to health ensured that the rent system prevailed.

Table 6.4

COMPARATIVE UNIT COST OF BUILDING AND CIVIL ENGINEERING PROJECTS BETWEEN NIGERIA, ALGERIA AND KENYA: 1979

Project Type	Nigeria	Algeria	Kenya
Residential Building #/m2	350.00	313.00	132.00
Multistorey office Block (#/m2)	450.00	-	207.00
Single Carriageway Road (2 lanes) #'000/km	294.00	149.252	105.353

Dual Carriageway Road(4 lanes)#/km	800,000- 1,200,000*	587,015	278,961

* 1977 figures
Source: Federal Republic of Nigeria; **Report of the Ministerial commitee on the causes of the Excessively High cost of Government Contracts in Nigeria,**1981 Federal Government Press, Apapa; quoted in Abba et al p.62

The ruling elite also carried out its accumulation of wealth through the use of import licence and by importing food products, machinery,fertiliser, chemicals, and other types of consumer goods. This meant that the '10 per cent' and other forms of rent inevitably became part of foreign exchange transactions and the issuance of import licences, which were administered. The imports brought in often had their values manipulated to guarantee huge profits. Also, some of the items imported were often found to be unnecessary and wasteful, especially where government departments were involved. A typical example was the 'cement armada' which resulted from the decision by the ministry of defence to import massive quantities of cement which turned out to be both unnessary and wasteful. This cost the Nigerian economy a great deal of losses as the ports were choked up with cement and all other imports were blocked. Also, the country had to pay alot of money as demurrage on several kilometers of cement-carrying ships which were waiting to discharge their goods. Other losses were incurred through the activities of pirates and the fact that large quantities of cement were either destroyed at sea or became unusable. This, however did not prevent some people from becoming millionaires instantly. The overall cost to the economy included the leakage of foreign exchange, the inflationary pressure brougt on the economy and the fact that Nigeria became one of the most costly places in which to do business.

Another background factor to the Nigerian crisis was that of capital flight which was also part of the accumulation process. Apart from what the local ruling class was able to take out,the multinational corporations were actively involved in the repatriation of capital.(12) This was commonly done as repatriated profits or as profits on imported components and raw materials. There was also the practise of transfer-pricing and under-invoicing which most of these multinationals were engaged in,as Biersterker discovered in his study of Nigeria.(13) The multinationals also made alot of money through their various joint-ventures with the government, such as in the vehicle assembly plants,etc, which continued to consume large amounts of resources even though they failed to achieve their objectives. They have given the multinationals control over these enterprises while causing the government massive losses.One other area where these multinationals have taken out alot of money was through their supply of machinery and equipment, raw materials, cereals, (particularly wheat and rice), and the like. There was also the lucrative construction sector where they dominated. The multinationals have, since 1972, colluded with the Nigerian ruling elite to fleece the economy of the enormous resources generated since 1970.

The result is that things began to go wrong with the economy. The policies pursued during the oil boom contributed to the crisis that was to come. In the mean time, the excessive waste of the foreign earnings and the wastage and inefficiency internally, took the economy in the direction of severe crisis. The budget deficits grew as the state kept up with its massive expenditure programmes, foreign exchange began to get dangerously low and the government had to resort to borrowing to keep up with the expenditure programs. The cost of doing business in the country was intolerably high due to the waste and inefficiency and the poor state of infrastructure.Thus, despite the enormous amounts of money invested in infrastructural development this sector has remained weak and inefficient. This situation had to do with the diversion of much of the money meant for this work by the ruling elite into their pockets through various kinds of corrupt activities. Labour was also very expensive and not well-trained, thereby raising production cost far higher than those in other countries. So that while it was unprofitable to produce in Nigeria, foreign businesses still found it very profitable to trade with the country. To some extent, the oil revenues still continued to shield the country from the serious crisis that lay ahead.

However, the warning signs came in 1978 when the country faced balance of payments problems in addition to the problems at home. The Obasanjo -led military government was forced to undertake austerity measures including borrowing heavily from the financial markets. Thus, in 1978, Nigeria took its first 'jumbo' loan of about $1.50 billion from the Eurodollar market. s part of the austerity measures, the company tax rates was raised to 50 per cent while an excess profit tax of 10 per cent was imposed on banks earning more than a 40 per cent return, in 1978. Some consumer imports were banned and many more were placed under licence. A 5 per cent surcharge was imposed on all imports. The wage freeze was continued while the practice of remitting 75 per cent of mobilisation fees in foreign exchange by companies in government contracts was discontinued.

Other forms of control were tightened up, and these measures were continued in the 1979/80 budget. These gave some respite as the overall performance of the macroeconomic variables looked respectable (Table 6.5). Also, by the time the military handed overpower to civilians in october 1979, foreign reserves were said to have been restored by them to $8.0 billion, an amount accumulated,just within 15 months before the hand over. However, the crisis was by no means over, though the austerity measures applied by the military helped to delay the severe aspects of the crisis. But an economy as dangerously open as that of Nigeria, with all the structural weaknesses discussed above, always stood the risk of being thrown into a major crisis by a combination of adverse external and internal developments. This was the fate which befell the country during the 1980s.

Economic Crisis and the Crisis of Stabilisation: 1980-85

The decade of the 1980s began badly for most commodity exporting countries, including oil exporters . The recession which hit the major industrial economies led, amongst other things, to a slump in commodity market . Dependent and economically vulnerable countries like Nigeria whose well-being was tied to that of the industrial economies, were immediately thrown into serious crisis. The recession induced a dramatic decline in their export earnings as foreign markets contracted. On the home front, these external developments were met by the unfortunate coincidence of an expensive farce in the form of the Second Republic which brought in civilian rule at the end of 1979. These forces combined to deepen the crisis which the country was already in.

The civilian government formed by the National Party of Nigeria (NPN) between October 1979 and December 1983 was probably the most irresponsible and profligate government the country ever had. The NPN took advantage of the weakness of the constitution to waste money. The constitution did not limit the number of assistants that the President or even the Governors could appoint. The constitution also allowed the legislators to fix their salaries and allowances as well as those of the executive arm of government.On coming to office, the civilians expanded the public service by rewarding party faithfuls with jobs in total disregard to the consequences for the economy. The austerity measures imposed by military government between 1978 and 1979 to curb public spending as well as imports, were dismantled by the NPN government. Imports were liberalised, tariffs reduced, and public expenditure was increased. There was a great resurgence of the rent-seeking and other harmful activities which were seen in the pre-1978 austerity period.

There was again an explosion in the import of consumer goods encouraged by such measures as the approved user scheme and the allocation of import licences to party members. This mode of allocating import licences created problems for industries as they were forced to buy such licences on the black market from the NPN stalwarts. The frustrations which these industries faced in trying to obtain import licences was demonstrated by the threat by the Managing Director of the United Africa Company (the largest multinational in Nigeria) to close down the company unless the situation was changed.(14) Imports shot up and overtook exports, thus draining the country of scarce foreign exchange often in dubious circumstance. Ironically, the advent of the NPN government coincided with an all time rise in international price of oil from US$14.9 a barrel in 1978 to US$33 in 1979 and US$44.4 in 1980.

Thus, the government had alot of resources at the beginning of its term which it went on to squander. For instance, while the country earned US$26.73 billion in 1980 from exports, US$23 billion was spent. In 1981, $17.9 billion was earned and $24.7 billion was spent,while in 1982 $12.93 billion was earned and imports consumed $21 billion. Rising public spending by both the federal and state governments was a significant part of the reckless policies of Shagari's NPN administration. The large budget deficits which resulted were not curbed but rather financed through huge borrowing both internally and externally. For instance, government fiscal deficit was 18.31 per cent of GDP in 1981 and 23.93 per cent in 1982. With oil prices falling from 1981 on, governments borrowed extensively to sustain their expenditure programmes. As a result, many states became so indebted to commercial banks that they were unable to run the most basic services. In 1981 alone the Federal Government borrowed about #3 billion from the

Central Bank compared to #158 millon in the previous year.

Table 6.5

GROWTH RATES OF SELECTED MACROECONOMIC VARIABLES FOR SELECTED PERIODS 1960-1981 (in %)(1)

	1960-1970	1970-1979	1980-1981
GDP	3.1	7.5	4.5
Gross Domestic Investment	6.5	17.8	11.0
Government consumption Expenditure	10.6	12.4	11.0
Private consumption Expenditure	0.9	6.3	6.3
Exports (volume)(2)	6.5	-0.3	0.5
Imports (volume)(2)	1.7	20.6	17.8
Money supply	9.7	29.3	28.7
Average Annual Inflation Rate	2.6	19.0	14.2

notes:

1. All growth rates are in real terms except money supply
2. Derived from quantum (volume) indices.

Source: Ohiorhenuan, J.F.E., 1989 **Ibid** p.182

The level of external borrowing also went up, with both the Federal and state governments actively engaged. Investment and trade credits were obtained from the international capital market and multilateral institutions like the World Bank and the IMF, and even foreign governments. As the oil revenues and exports shrunk due to falling prices, governments became more desperate to borrow. Thus, the total external loans received by the public sector more than doubled between 1982 and 1983. The country's external loans rapidly built up to #18.5 billion by the end of 1983 from #1.9 billion in 1978. All this further put the economy into trouble.

However, even though the economic crisis was pointed out to the government by Chief Obafemi Awolowo in 1981, it spent most of 1980 and 1981 actually denying the existence of any crisis. It was only, the shrinking oil revenues and perhaps the failure to attract more loans from abroad which eventually pushed the government to do something about it. But in early 1982, the crisis had hit the country in full force and the Shagari administration had to face the inevitable task of addressing the situation. While still insisting that the crisis was largely the result of the generalised world recession and the dramatic fall in the price of oil on the world market and with it, the fall of government revenues, the government set about the task of economic stabilisation.

The stabilisation process was begun by the Shagari administration on April 19th 1982. On that day an emergency joint meeting of the Senate and the House of Representatives was summoned to be addressed by the President. He acknowledged the seriousness of the economic situation which he admitted, needed urgent solutions and tabled before members the Economic Stabilisation (Temporary Provision) Act of April 1982. The Act was immediately passed by the National Assembly without any debate. The Act relied mainly on a combination of import restrictions, monetary control and fiscal policies. Thus, all unused import licences were recalled for review, capital projects which had not been started were put off, and the import licences for vehicles was suspended. The basic and business travel allowances were reduced from #800 to # 500, and #3,000 to #2,000, respectively. The government also imposed compulsory advanced deposits ranging from 50 to 250 per cent on a wide range of goods. Government decreed interest rates were increased by 2 per cent, government expenditure was reduced and restrictions placed on external borrowings by state governments.There were also monetary and credit guidelines for industries, development finance institutions and general commerce.(16) In addition to these, the government began talks with the IMF and World Bank for loans.

However, the implementation of these measures suffered and the result was a failure. The NPN stalwarts effectively made it difficult for the government to implement even the kind of measures it had prescribed for the economy. And by the end of 1982, it was clear that the measures adopted to contain the crisis had failed and had instead deepened it. This was manifested in:

(i) the increasing rate of decline in the volume of production in almost all sectors of the economy, extending to the closure of factories and the halting of work on uncompleted projects;
(ii) the almost total freeze on new employment and large-scale retrenchment in all sectors of the economy leading to massive unemployment, in both rural and urban areas and for all levels of manpower;
(iii) the chronic and serious shortage of foodstuff, and all types of goods;
(iv) the high rate of price inflation;
(v) the rising burden of indebtedness on middle-level and petty traders, artisans, craftsmen and peasant farmers;

(vi) the reduction in monetary and real value of wages salaries and allowances and the uncertain and irregular paymentsof these;
(vii) the drastic reduction and higher cost of the provision of essential public services like water, electricity, postal services, education, and health, and the regular breakdown in these;
(viii) the rising wave of crimes of violence against persons and property.(17)

The worsening domestic situation put the government under a lot of pressure from strikes, retrenchment of workers, school closures and the like. From outside, there was also pressure from creditors and suppliers who were unwilling to keep the lines open to bail out the government. In addition to these, the IMF and World Bank were very critical of the April 1982 Stabilisation measures of the Shagari administration. The World Bank insisted that the stabilisation measures did not go far enough. It therefore recommended that: additional incentives be given to domestic productive sectors through a 25 per cent devaluation of the naira in 1983 and by appropriate tariffs and export subsidies; fiscal and monetary policies such as a sales tax of 1 per cent should be introduced, domestic prices of oil increased from US$20 a barrel to $30, interest rate should be unified and raised as should the private sector's share of credit, subsidies and quantitative restrictions should be phased out; and expenditure programmes should be thoroughly reviewed to bring down budget deficits.(18)

The IMF also accepted the Bank's policy recommendations during its negotiations with the Shagari administration. The IMF insisted that there should be an adjustment programme with devaluation as the corner stone. It called for the devaluation of the naira by an initial 25-30 per cent and on until the element of overvaluation was removed. The Fund also argued for a massive reduction in capital expenditure to not more than #4 billion a year between 1983 and 1986, and projects which required #30 million or more to complete should be reviewed. Industrial projects which would not produce substitutes for imported raw materials or boost foreign exchange earnings were required to be shelved. There was to be substantial reduction of the budget deficit, the removal of subsidies on petroleum products and fertiliser, the curtailing of grants,subventions and loans to parastatals and state governments, the scrapping of the Approved User Scheme and the Nigerian National Supply Company. Furthermore, the Fund recommended the privatisation of commercial parastatals, review of customs tariff linked to exchange rate adjustment, upward review of interest rates, a vigorous export promotion drive for non-oil products, the abolition of the advanced deposit scheme and the liberalisation of external trade.(19)

In the face of these pressures, the beleaguered NPN administration was forced to do more to stabilise the deteriorating situation. At the end of January 1983, the

National Economic Council which comprised the President Vice-President and Governors of the 19 states of the Federation, established the Odama Commission(20) to review the economic problems facing the country and propose immediate and long-term solutions. The Committee submitted its report in February and this formed the basis of the white paper issued in June 1983. Meanwhile, Nigeria formally applied for an IMF loan of #1.9-#2.4 billion, under a three year programme, on 18th April 1983. This decision to take the loan was later announced by the President in his 1984 budget speech on 29th December 1983. However, the clear signal to adopt a programme of economic reform along the lines recommended by the IMF and World Bank was given in the President's national day broadcast on 1st October 1983 and the 1984 budget speech.

The policy measures set out by the President included the following: reduction in public expenditure; that only core capital projects were to be funded; revenue sources were to be diversified; the review of agricultural production strategy to attain self-sufficiency in food and raw materials; the privatisation of government parastatals and companies; the imposition of new fees and/or charge higher fees for public services; the payment of rescheduled short-term debts. The government's determination to carry out the reform programme was also demonstrated by its setting up of the Onosode Commission to review all government projects and bring them in line with Fund and Bank positions. The government limited the capital expenditure in the 1984 budget estimates to #4.64 billion that is #0.64 billion over what the IMF had demanded. The government also agreed to remove the subsidy on fertilizer as the Bank had said. It agreed to privatisation and had even allowed a 29 per cent depreciation of the naira in relation to the dollar.

However, the government was unable to satisfy the IMF and the World Bank and by implication, the creditors, since it did not accept the centrality of exchange rate adjustment programme in its reform. The business community was also not happy especially with the Fund's insistence on devaluation and the abolition of the approved user scheme, and because of their external dependence on raw materials and spare parts. At the same time the crisis worsened as foreign banks refused to confirm letters of credit and demanded direct payments for imports. The debt situation also worsened as the reserves were depleted. The industrial situation deteriorated in 1983 as companies either closed down, reduced working days, imposed compulsory leaves or declared redundancies. This, however, did not mean that the companies suffered in the same way the majority of Nigerians did. For instance, companies like the United Africa Company (UAC) recorded a turn-over of #719.1 million and a net profit of #13.6 million in 1982/83 financial year; and in 1983/84 a net profit of #30.9 million was recorded. The situation was the same with other major companies in the industrial, commercial, oil and banking sectors.(21)

The government's austerity measures hit most Nigerians hard with shortages, unemployment, non-payment of salaries, higher prices,etc. The government therefore faced a general and popular opposition to its economic programme. It then became more reppressive and clamped down on all opposition and even the other political parties by using the Police, the notorious 'kill and go'(22) to harrass its opponents. The scandalous manner in which the 1983 elections were held spelt the doom of the Shagari administration. It was returned to power by an overwhwelming majority in the elections which were widely seen as fraudulent,and it did not remain in office for long enough to complete negotiations with the IMF . It was overthrown by military coup on 31st December 1983. The coup-makers cited the massive rigging of the elections as one of the justification for the take over.(23)

The new military regime of Major-General Muhammadu Buhari renewed the Economic Stabilisation Act enacted by its civilian predecessor,in January 1984. Indeed, from the policies this regime later implemented, it can accurately be described as a government of the nationalistic wing of the Nigerian bourgeoisie. The Buhari regime defined the crises fundamentally in the same way as its civilian predecessor. It blamed the oil boom of 1970s since this led to a shift in the pattern of investment to construction and services;it increased importation of luxury consumer goods; led to neglect of agriculture; large-scale rural-urban migration, and government commitment to provide everything free to the people. Other reasons for the crisis were low productivity in agriculture and manufacturing sectors, especially over-dependence on imported inputs. The regime blamed the mismanagement and indiscipline of the previous civilian government for the crisis. The military rulers argued that this mismanagement and indiscipline by the civilian government could be seen in the commitment to provide education and health free as well as starting projects that could not be completed; the inflation of contracts; proliferation of political appointees;over-reliance on oil as a source of revenue and the abolition of some fruitful source of revenue; incuring huge budgetary deficits even when revenues were declining; resorting to heavy internal and external borrowing; smuggling and illegal currency trafficking across the borders. Also, the Buhari regime believed that the last straw which precipitated the economic crisis was the oil-glut.

The regime immediately set about the task of reducing public expenditure by revising the 1984 budget announced by the ousted civilian administration. Business travel allowances were abolished, the basic travel allowance which had been reduced to #500 by the civilian administration was now reduced to #100;

while the home remittance of expatriates was reduced from 50 to 25 per cent. The regime also abolished the compulsory advanced deposit scheme; put all invisible items of import under licences; terminated external borrowing by state governments; raised interest rates for deposits and lending except for agriculture. While imposing a wage-freeze on workers, it undertook to pay all arrears of salaries, allowances and bonuses. The Nigeria Enterprises Promotion Decree was amended to allow non-Nigerians to own up to 80 percent of large farm projects.This move resulted in many companies like the UAC, SCOA, UTC, and the various breweries acquiring farms all over the country to produce their raw materials. However, the regime shelved the issue of privatisation and the reduction in subsidies on petroleum products.

These measures were further supported by others such as large-scale retrenchment of workers; the imposition of different forms of levies and taxes by state governments; increasing the debt service ratio to 44 per cent in 1984 and 57 per cent in 1985. Counter trade was adopted and loans from non-western sources were sought, especially the Saudi loan of #1.6 billion which it applied for in February 1984. It was expected that western creditors would be convinced by these efforts to reschedule debts and open lines of credit without an IMF approval. The military regime also carried out a sudden change of the currency, and this led to a severe naira-squeeze between

25th April and 6th June 1984. The intention was clearly to cut the naira taken out of Nigeria and those held outside banks within the country. However, this led to bottlenecks, bureaucratisation and massive corruption in the banks as the Central Bank printed more money than was already in circulation. This put further hardship on individuals and businesses, as they could not withdraw their money on demand.

To impose discipline on the society in support of its recovery programme, the regime threw former politicians, contractors,middlemen, civil servants and others who had swindled public funds into gaol. Many were investigated, tried by military tribunals, convicted and detained. Others were held in detention without trial. The borders were closed, and economic crimes such as smuggling, oil-bunkering. drug-trafficking and currency-traficking, among others, were severely punished sometimes by death. The Miscelleneous Offences Decree covered a very wide range of offences which included examination malpractice by secondary school children, requiring severe punishment. Indiscipline among workers was tackled by banning strikes. Most of the decrees could not be challenged in any court of law and some had retroactive effects.

The Buhari regime also resumed talks with the IMF in February 1984. The government made it clear that negotiations with the IMF would not be easy in view of the Fund's insistence on a 25 per cent devaluation and the liberalisation of imports. The government was opposed to both conditions because, as it argued, devaluation would lead to an increase in the cost of production, force workers to agitate for wage increases, and would not have any appreciable impact on the country's foreign exchange earnings since the pricing of its export commodities were fixed in foreign currencies. It agreed to implement policies on budgetary discipline and cost-cuts, and abolish the Approved User Scheme.(24) However, it refused to remove subsidies on petroleum, rejected privatisation of parastatals in favour of commercialisation, retained the Nigeria National Supply Company, and resisted the idea of linking the customs tarriff review to an adjustment of exchange rates. The government strongly defended the existing exchange rate of the naira, defended the import licence scheme, and was in favour of trade rationalisation as opposed to liberalisation.(25)

The negotiations stalemated as a result of these disagreements. The IMF then increased pressure on Nigeria. It condemned the government's economic policies and performance. The loan application to Saudi Arabia was blocked,negotiations with creditors failed, forcing the government to rely increasingly on counter trade. The government on its part, went public with its criticism of the IMF in mid-1985. It pushed on with its economic programme without IMF or external support and paid dearly for it. The Buhari regime had alienated all sections of the population, through its policy of repression, and therefore lacked the social support for its economic programme at home. The government's harsh policy of retrenchment without compensation saw 250,000 state workers lose their jobs.In addition, it had violated the people's human rights through excessive levies, draconian decrees, harrasments through the War Against Indiscipline campaign (WAI)(26), detention without trial, the banning of popular organisations opposed to it, and the like. Meanwhile the economic situation worsened and the regime became more repressive.

All these developments helped to strenghten the position of the pro-IMF wing of the ruling elite in the government and outside it. However, this distinction between pro- and anti-IMF wings of the ruling elite is rather impressionistic. This is because the Babangida regime which replaced Buhari's comprised most of the officers who served in the previous one, with the exception of Buhari, General Idiagbon, and a few others. The impression of the division within the Buhari regime was given by General Babangida in his maiden address to the nation on assuming office. He revealed that "irreconcilable differences" within the was one the reasons for the coup. He also blamed Buhari and Idiagbon for these differences, especially on the management of the economy and the negotiations with the IMF. It is in the light of these comments that we make this distinction. This pro-IMF group succeeded in dislodging the Buhari group from power on 27th August 1985. From then on, Nigeria was to have a structural adjustment programme designed and supervised by the IMF and World Bank.

Structural Adjustment in Nigeria, 1986-89

The coup on 27th August 1985 brought the pro-IMF group to power, under the leadership of Major-Genral Ibrahim Babangida as the new President. In his maiden broadcast, President Babangida promised that the government would 'break the deadlock' in the negotiations with the IMF. The new regime was clearly unhappy with the inability of the Buhari regime to tackle the economic problems facing the country. Despite the measures adopted by the Buhari regime, the economy was in no better shape by the time of their overthrow in 1985. By 1985, GDP was about 15 per cent lower than at the beginning of the decade, real per capita GDP and consumption were below the levels achieved in the early 1970s and public investment dropped to 14 per cent of GDP between 1981 and 1985. Debt service on the US$ 25 billion extenal debt now amounted to between 70 and 80 per cent of total export earnings. The debt was badly bunched and mostly in arrears, the London and Paris Clubs refused to reschedule any of their loans, and no new money was coming in. And in choosing to deal with the IMF, Babangida knew that he was walking a tight rope politically because Nigerians were not fans of the IMF. The President therefore approached the political minefield ahead with what Thomas Callaghy called clever political statecraft.(27) Nigerians likened this with the dribbling skills of the Argentine football star, Diego Maradona, and nicknamed their President 'the Maradona of Nigerian Politics'.

The unpopularity of the Buhari regime with the majority of Nigerians did not mean that Babangida and his group were necessarily welcome. The coup which brought him to power was received with indifference by the people since it was seen essentially as a palace coup, a mere change of guards. The Babangida regime therefore had to cultivate the support of the people if it was to succeed in carrying out its policies. If the Buhari regime ruled without such support, the Babangida regime would need all the support the people could give it in view of its declared intention to deal with the IMF on the economy. The regime began to sell its structural adjustment programme by a series of confidence-building measures. This involved capitalising on the weaknesses of the Buhari regime and attacking its reppressive policies which were hated by the people.

On the first day of coming to power, the regime repealed the hated decree 4 (DN4) which prevented the press from publishing embarrassing facts about top public officers. The two journalists jailed by the Buhari regime under DN4 were also immedietely released by the new regime. This was naturally welcomed by Nigerians who had opposed DN4 . The new regime also declared its commitment to upholding human rights, unlike the one it replaced. Accordingly, the death penalty was abolished for offences under Decree 20 (DN20) the Miscelleneous Offences Decree. This was also well received especially since Buhari had executed three convicted drug traffickers against public outcry. There were also many people facing the death penalty for other economic crimes like smuggling and oil-bunkering, these were also saved by the regime. Many political detainees who had been jailed without trial were released. Even those who were convicted and jailed by the military tribunals had their cases reviewed and the sentences reduced to mere fractions of what they were before. Many of those convicted and jailed were released earlier, as a result and others were never charged . This again, was in line with public opinion on the matter.

The anger of the people against the Federal Electoral Commission (Fedeco) for bungling the 1983 elections was also exploited by the Babangida regime. It ordered an inquiry into the affairs of the defunct Fedeco, to the delight of most

Nigerians. President Babangida also launched a national political debate to be organised by a 17-member political Bureau which was to submit a report on the views of Nigerians on the kind of political system they wished to live under. This process led to a commitment to return the country to democratic rule by 1992. The Buhari regime had refused to even discuss the question of return to democratic rule. The commitment of the Babangida regime and its design and implementation of a programme of transition to democratic rule, gave it a political advantage which its predecessor had not enjoyed.

On the economic front, Babangida declared a national debate on the IMF on 2nd September 1985. This turned out to be a clever move which took the heat out of the question of an IMF-sponsored structural adjustment. Even though such a debate had been on since 1982 when Shagari introduced stabilisation measures,the official declaration of the debate helped to give the impression that the government had nothing to hide and that the decision of the people would be respected. Nevertheless, Nigerians used the opportunity to engage in a sustained debate on structural adjustment and its effect on the country. Throughout the debate, the government concealed its preferred option, except for the comments of Kalu Idika Kalu and Chu Okongwu, ministers of Finance and Economic

Planning respectively, who both urged Nigerians to accept an IMF-sponsored structural adjustment programme.(28)

The IMF debate clearly revealed that the vast majority of Nigerians were opposed to the IMF, its loan and conditionalities. This opposition cut across classes as a section of the elite, labour, students, civil servants, intellectuals, market women, farmers,all opposed any IMF programme. The elite, the group thrown out of power with the Buhari regime, continued to favour the measures he had adopted . They favoured internal solutions such as public expenditure cuts, local sourcing of raw materials, wage freeze, allocation of import licences, etc. They actually saw the IMF as an instrument of recolonisation which would displace them from the economy.(29) They felt that measures like devaluation would favour the big multinationals and their allies, while they would be maginalised.

On the other hand, the largely urban petit-bouigeoisie of traders,road transport workers, mechanics and the like were opposed to the IMF programme because it would harm their interests. They argued that an IMF programme would lead to increased prices and fares which would in turn weaken the purchasing power of the consumer and thereby adversely affect their businesses. They were more enthusiastic about a substitute programme to the IMF: the market women were even ready to levy their members while the transport workers actually announced a levy of 50k per day on members towards an economic recovery fund. The socialists who comprised the student and labour movements, intellectuals and the like,called for a structural transformation away from the exploitative system which created the crisis. They favoured a centralised planning system. Opposed to these groups were the big multinationals and their local allies who saw the introduction of an IMF structural adjustment programme as the only way to resolve the Nigerian crisis.

While the debate was still on, the government promulgated a National Economic Emergency Decree which led to a 15-month state of economic emergency on 1st October 1985. The measures adopted to help towards economic recovery included (i) a general pay cut for both military and civilian employees, ranging from 2 per cent to 20 per cent, (ii) the surcharge of 5 to 15 per cent on after-tax profits, dividends, rent and fees, (iii) a levy of 30 per cent on all imports for domestic production, (iv) a withdrawal of 80 per cent general subsidy on petrol and diesel, (v) withdrawal of 50 per cent non-statutory transfer to parastatals.(30) The government also used the media to narrow the debate to a question of whether or not the IMF loan should be taken, but ignored the anti-conditionalities content of the arguments put forward. Even though the committee on IMF debate submitted a report in November 1985 which concluded that the people had overwhelmingly rejected the IMF, the government insisted that there were no winners and no losers in the debate.The rejection of the IMF loan was announced by the government on 12th December 1985. Again, this was a clear political move by the government since it went on to introduce an IMF structural adjustment programme which it had been putting together while the national debate was going on. This programme was sold by the government as home-grown and had nothing to do with the IMF or any external body.

Perhaps a more important factor in the process of adopting a structural adjustment programme, was the role of the World Bank in the formulation of SAP. The intense dislike which Nigerians had for the IMF (31) meant that the World Bank would have to play a significant role instead, because of its long presence in Nigeria. The World Bank was suitably placed to play this role because it was a politically less sensitive target and it had also done alot of recent studies on the Nigerian economy.(32) Even then, the involvement of the Bank had to be concealed from the public as the government tried to give the impression that the SAP was its own baby. It was all part of Babangida's political dribbling .

The level of World Bank involvement in Nigeria's SAP was personified by its Lagos resident representative, Israt Husain. Mr Husain became a central figure in the design and implementation of SAP. Along with other senior Bank officials, they joined Nigerian officials on the interministerial committee created by President Babangida to design SAP. The outcome was a package of economic reforms which could only have pleased the IMF more because of their far-reaching nature. This was approved by the Armed Forces Ruling Council (AFRC), subsequently informally presented by the Foreign Minister, Professor Bolaji Akinyemi to creditor and donor countries and institutions; and eventually announced by Babangida as Nigeria's homegrown solution, in June 1986. It was given the palatable title 'structural adjustment programme for economic reconstruction, social justice and self-reliance'. It was a two-year programme expected to run from June 1986 to July 1988. On the basis of this programme, a team from the IMF quietly slipped into Lagos to negotiate a stand-by agreement. The Nigerian government equally quietly signed a letter of intent with the IMF on 5th September 1986 and this was ratified by the IMF Executive Board on 12th September 1986. This IMF agreement was like any other, and carried the usual conditionalities even though this was not made public. However, the Nigerian government decided not to use the SDR650 million loan from the IMF.

The Structural Adjustment Programme, whose guiding philosophy was economic reconstruction social justice and self-reliance, set out to achieve the following major objectives:

(i) to restructure and diversify the productive

> base of the economy in order to reduce dependence on the oil sector and on imports;
> (ii) to achieve fiscal and balance of payments viability over the period;
> (iii) to lay the basis for a sustainable non-inflationary or minimal inflationary growth;
> (iv) to lessen the dominance of unproductive investments in the public sector, improve the sector's efficiency and intensify the growth potential of the private sector.(33)

Also, the government spelt out the main elements of SAP as:

> (i) strenghtening of the hitherto strong demand management policies;
> (ii) adoption of measures to stimulate domestic production and broaden the supply base of the economy;
> (iii) adoption of a realistic exchange rate policy;
> (iv) further rationalisation and restructuring of the tariffs in order to aid the promotion of industrial diversification;
> (v) move towards improved trade and payments liberalisation;
> (vi) reduction of complex administrative controls simultaneously with a greater reliance on market forces;
> (vii) adoption of appropriate pricing policies especially for petroleum products and public enterprises; and,
> (viii) encouragement to rationalisation and privatisation of public sector enterprises.(34)

The implementation of SAP began before the announcement by General Babangida in June 1986, to coincide with the 1986 budget. The budget endorsed most of the demands by the IMF for adjustable exchange rate-based SAP, through removal of subsidies on petroleum products, privatisation, export promotion, the scrapping of the NNSC and the liberalisation of the economy. The budget went some way in preparing the grounds for the implementation of SAP later in the year. For instance, the decision to promote non-oil exports was confirmed by the budget provision of #990 million to be given as subsidies to those engaged in the export of non-oil products even though these exports were themselves not likely to exceed the #1.5 billion earned in 1985. More incentives were announced by Finance Minister, Dr Kalu Idika Kalu on 2nd January 1986:

> ... besides the direct subsidy of about one billion naira, to pay exporters to export, other lucrative incentives for exports include (i) refund of oil import duty on raw materials used for exports, (ii) refund of excise duty on all manufacture exported, (iii) exemption from the import levy of 30%.(35)

The centre piece of the structural adjustment programme announced by President Babangida in June 1986 was the second-tier Foreign Exchange Market (SFEM) introduced on 29th September, 1986. This was backed by a decree (SFEM Decree) which abolished the system of import licencing. Under SFEM, the value of the naira or its exchange rate, was determined by market forces of demand and supply (i.e. by auction). After studying the operation of the Zambian auction system, the government was able to launch it well. Also, there was assured financial support from the World Bank for the auctions as well as oil revenues, expected foreign investment, and the domiciliary accounts which individuals and companies were encouraged to open, as sources of funding for the market. However,SFEM was not a free market in practice as the Central Bank continued to intervene in auctions mostly in order to prop up the naira which began by depreciating rapidly. The naira fell from 1.6 to the dollar to 4.62 to the doller at the first auction. At the second auction, the naira dropped even further to 5.08 to the dollar, and this led to strong intervention by the Central Bank to prop it up thereby raising it to 3.5 to the dollar at the third auction. The government maintained the first tier at 1.6 to the dollar and it used this mostly for debt service and payment of dues to international organisations. By early 1987 the SFEM rate of the naira had settled in the 3.5 to 4.0 range.

The expected supply of foreign exchange to fund the market did not materialise as demand for foreign exchange continued to outstrip the supply. This kept the black market rate higher than the SFEM rate. In July 1987, the government merged the non-auction exchange rate into the SFEM rate resulting into a single currency market known as the Foreign Exchange Market (FEM). About one year later, this was itself replaced by the merger of the autonomous and auction segments of the market into the new Interbank Foreign Exchange Market (IFEM). Under this system, the exchange rate of the naira was determined on a daily basis in an interbank system supervised by the Central Bank. The pressure on the naira continued leading to a farther depreciation to 7.58 to the dollar in April 1989. Since then, the rate has fluctuated around that level, forcing the government to give recognition to the black market by allowing individuals to operate Bureaux de change (as was done in Ghana) in 1989.

By making this the centre piece of SAP, it was expected that market determined exchange rates would discourage imports of finished goods, promote agricultural production, encourage local sourcing of raw materials and diversification of exports, especially non-oil exports. It was also hoped that foreign capital investment would flow in easily as a result of the rationalisation of the exchange rate.The various reorganisations of the market between 1986 and 1989 were geared towards achieving these aims. In addition to this, other measures were also adopted under SAP to attain the objectives of the programme. For instance, the export promotion incentives introduced with the 1986 budget were further strengthened. The SFEM decree allowed exporters to retain 100 per cent of their foreign exchange earnings in form of domicilliary accounts which they could convert into naira. The government abolished export prohibitions except for grains.

The manufacturing sector was also encouraged to export by the introduction of a Duty Drawback Scheme. This allowed producers and exporters to import raw materials and intermediate products for use in the manufacture of export products, free of import duty and other indirect charges and taxes. Other measures included the establishment of an Export Credit Guarantee and Insurance Scheme to insure exporters from political and other risks; and also Export Development and Export Expansion Funds. An interim review of customs and Excise

Tariff was undertaken in 1986, leading to the introduction of a more comprehensive tariff structure in 1988. The new structure made import and excise duty rates to last for seven years so that industrialists could undertake long term decisions. The number of excisable products was reduced from 412 to 182 and a harmonised comodity coding system was put in operation.

To tackle inflationary pressures and aid financial development and efficient allocation of resources, monetary policy under SAP was initially largely restrictive. In 1987, the growth in money supply was curtailed to 11.8 per cent and a ceiling of 4.4 per cent was placed on the expansion of aggregate bank credit to the economy. Also, the ceiling on commercial bank credit expansion was revised from 8.0 to 7.4 per cent, and all controls on interest rates were removed. The minimum rediscount of the Central Bank was fixed at 15 per cent, in line with the SAP emphasis on the deregulation of the economy.

In agriculture, SAP objectives were to improve domestic food production and eliminate external dependence; increase domestic supply of agricultural raw materials and reduce dependence on imported raw materials; and raise rural employment and income, among others. As a result,the Agricultural Commodity Boards were abolished and the prices of agricultural items, especially cocoa, cotton, oil palm, rubber, maize were freed to find levels in the market. The River Basin Development Authorities were rationalised, their number reduced from 18 to 11 and they were now barred from involvement in direct agricultural production. They were now limited to carrying out water resources development and other related services. The government also established the Directorate of Food, Roads and Rural Infrastructures (DFRRI) in 1986 as part of the reforms in the agricultural sector. DFRRI was the rural development component of SAP, and it was designed to open up the rural areas. This became evident in such activities as the construction of rural feeder roads, boreholes,rural electrification and the like. DFRRI was also fairly well funded by the government to enable it carry out its activities.

Other incentives to industry apart from those in the context of the foreign exchange market, have been geared towards improving the investment climate through the introduction of relevant legislation. For instance, the Nigerian Enterprises Promotion Decree was amended in such a way that the three schedules of businesses were reduced to one. Also, all other unscheduled businesses except in banking, insurance, petroleum prospecting and mining in which the Federal Government will continue to have equity shares, were open to 100 per cent Nigerian or foreign participation either separately or in partnership. A new Industrial Coordinating

Committee (IDCC) was set up to serve as a one-stop agency for issuance of the initial approval for the establishment of industries. Responses to applications was also considerably shortened to 30 days by the decree setting up the IDCC. There was a further incentive of special income tax rebates and concessions for entrepreneurs investing in economically disadvantaged parts of the country.

Other features of SAP included the removal of price controls which led to price rises for petroleum products, electricity, water, health care, education, fertilizer, etc. The government also undertook to commercialise or privatise the over 100 industries and parastatals owned by it. A technical Committee on Privatisation and Commercialisation was established by the government in 1988 to carry out this task. The committee commenced the sale of government equity holdings in these companies in 1989, beginning with the privatisation of the Flour Mills of Nigeria Limited and African Petroleum. Since then, the privatisation programme has stumbled along. Another measure the government undertook under SAP was that of debt-equity swap by which the government hoped to reduced the debt burden.

However,SAP itself was costantly under review, sometimes as part of the political manuevres which the government had to undertake, for the programme to survive. For instance, because the measures adopted between 1986 and 1987 led to very low aggregate demand, the 1988 budget was designed to relax the situation. Thus, monetary policies were relaxed, the salary structure of the public sector was revised favourably and other allowances were increased. The measures adopted under the 1988 reflationary budget had to be reviewed midway into the year. Apart from the additional inflationary pressures which the budget generated, the reform programme was threatened by the government's inability to remove the subsidy on fuel. This removal of fuel subsidy was an integral part of the reflationary package to generate the necessary funds to meet increased expenditure commitments. However, inspite of the pressure which the IMF put on the Nigerian government to carry out the removal of fuel subsidy,the enormous social and political opposition of the people stopped the government from the removal of subsidy on fuel.

The 1989 budget was intended to correct some of the adverse developments brought about by the failure of the 1988 budget. The 1989 budget tried to put SAP back on track by furthering the process of deregulation and decontrol of the economy. Its objective was to consolidate the adjustment programme by continuing to implement reform policies. The reform process is also expected to last beyond 1992 when the military government is expected to hand over power to a democratically-elected civilian government. Thus, in 1990, the government announced its Economic Consolidation and Expansion Programme (ECEP) 1990-1992 which aims to build upon the achievements of SAP. The ECEP hopes to attain a compound annual growth rate of 4.5 per cent during the period, with the aid of #144 billion. Even the two political parties formed by the government as part of the planned transition to democratic rule, have been committed by the government in the constitutions given to them, to continue with the adjustment process. The SAP has therefore come to dominate the lives of Nigerians during the 1980s. However, the key question to ask in the light of the pervasiveness of SAP is: what is its impact on the Nigerian political economy? This is the issue which we address in the next chapter.

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9. Okongwu **Opcit** p.19

10. Ohiorhenuan **Opcit** p.72

11. The Indigenisation programmes of the military governments between 1972 and1979 have adequately been discussed in an excellent work by Thomas J. Biersterker; 1987, **Multinationals,the State and Control of the Nigerian Economy.** New Jersey (Princeton)

12. Biersterker has given very illuminating examples of this in his discussions on how the multinationals responded to the Indigenisation programmes under the military. See **Ibid.**

13. **Ibid** p.153

14. See, Yusuf Bangura, "The Nigerian Economic Crisis," in Peter Lawrence (ed)1986; **World Recession and the Food Crisis in Africa.** p.52

15. Momoh, Tony; **SAP:the road not taken;'3rd Letter to my Countryman',** June 15,1988 p.20-21.

16. See also, Bangura **Opcit** p.51

17. Y.B. Usman **Opcit** p.8

18. Cited in Yusuf Bangura; "IMF/World Bank Conditionality and Nigeria's Structural Adjustment Programme", in Kjell J. Havnevik(ed) 1987: **The IMF And World Bank in Africa.** p.100

19. **Ibid** p.100-101.

20. Dr. J.S.Odama was one of the two Presidential Economic Advisers and the Chairman of this Committee. The report of the Committee also became known as the **Odama Report of 1983.**

21. Y.B.Usman, **Opcit** p.2-3.

22. This was the expression generally used by Nigerians to refer to the Mobile Police, a specially trained and well-armed anti-riot section of the Nigeria Police Force. It was a force which was better trained and enjoyed more privileges than the rest of the police force. It was very ruthless in suppressing riots, usually resulting in many fatalities. Under the civilians, the mobile police unit

was expanded and equiped with armoured vehicles, an act which considerably angered the army.

23. In his broadcast announcing the coup, Brigadier Sani Abacha gave other reasons for the take over as the gross mismanagement of the economy, corruption, social decay as witnessed in the closure of schools, absence of essential drugs in hospitals, non-payment of salaries, and the breakdown of law and order.

24. The Approved User Scheme was a bureaucratic means of allocating foreign exchange to companies to import equipment, raw materials and spare parts. It was a cumbersome and corrupt process by which companies were required to apply to the Ministry of Commerce for approval to use foreign exchange. The next step was for the companies to get the approval of the Ministry of Finance for the amount of foreign exchange required. The Ministry of Finance would then give approval for the Central Bank to make the foreign exchange available. However, the scheme was used by the politicians to dispense favours to supporters instead of making it available to the companies which needed it most. As a result, even reputable companies faced great difficulty getting foreign exchange through the official channels, and production declined.

25. Yusuf Bangura, 1987 **Opcit** p.104.

26. This was a campaign launched by the Buhari regime to instill discipline in Nigerians by force, having concluded that part of the problem afflicting the country was the lack of discipline among Nigerians. Thus, Nigerians were compelled through this 'war', to sing the national anthem, recite the national pledge, adopt the culture of orderliness by always queuing up in public, clean their

environment, be nationalistic and patriotic by buying Nigerian-made goods,and similar rituals.

27. Thomas M. Callaghy;"Lost Between State and Market:The Politics of Economic Adjustment in Ghana, Zambia, and Nigeria",in Joan M. Nelson(ed)1990:**Economic Crisis And Policy Choice:The Politics of Adjustment In The Third World.** New Jersey(Princeton) p.269

28 See Yusuf Bangura, 1987 **Opcit** p.105

29. This view was articulated forcefully, for instance, by Dr.Ibrahim Ayagi then Managing Director of Continental Merchant Bank. His opposition to structural adjustment led to his removal from his job by the government in 1988. See also, Yusuf Bangura, 1987 **opcit** p 105-107.

30. Y. B. Usman 1986 **Opcit** P157.

31. The intense dislike for the IMF was evident from 1982 when the Shagari administration started negotiations with it. For instance, the National Association of Nigerian Students, the Nigeria Labour Congress, and the Academic Staff Union of Universities waged sustained campaigns against IMF reforms through public demonstrations and strikes. The refusal of the Buhari regime to implement all the measures demanded by the IMF was partly due to this pressure. Since the structural reform measures were introduced in 1986, there have been many violent demonstrations and riots against it.

32. Some of these studies by the World Bank include:The Structure of Industrial Incentives in Nigeria,1981; Nigeria:Non-oil Export Prospects. Report No.3771,1982;

Nigeria:Macro-Economic Policies for Structural Change Report No.4506,1983.

33. Federal Republic of Nigeria,1986:**Structural Adjustment Programme For Nigeria, July1986-June1988.** Lagos(Federal Government Printer)p.8

34. **Ibid** p.8-9

35. Y.B.Usman 1986 **Opcit** p.148

Chapter 7.

THE POLITICAL ECONOMY OF STRUCTURAL ADJUSTMENT IN NIGERIA.

The structural Adjustment Programme(SAP), which was formally launched in 1986 became the most dominant feature of life in Nigeria in the 1980s, in the same way the ERP has been in Ghana. Every facet of life has been profoundly affected by SAP because it has been the most serious and comprehensive attempt yet at addressing the structural problems of the Nigerian economy since independence in 1960. As in Ghana, the government has shown a high level of commitment to implementing the various reform measures required. Also, a lot of effort was put into the programme by the government so as to achieve the stated programme objectives. The adjustment programme was therefore made the centre-piece of government policy in Nigeria throughout the second-half of the 1980s.

Another feature of SAP in Nigeria as was also the case in Ghana was the intense controversy it generated and the hostility with which it was regarded by the population throughout the period of implementation. The rejection of the IMF/World Bank-sponsored reform programme which came out clearly in the national debate on the IMF reform package in 1985, remained throughout the period of implementation. The expected success has not only eluded the government, such little improvement that is claimed is strongly contested by those groups which had opposed the adoption of the reform programme from the very beginning. Even the external supporters of the programme have agreed that the experiment so far has not been a success. Not even the kind of qualified success which was initially claimed for Ghana could be pronounced for Nigeria. The general consensus is that the programme is yet to achieve its objectives.(1)

In this chapter, we discuss the impact of the structural adjustment programme on the Nigerian political economy, with regard to its objectives. We also look at the developments induced in the economy since these measures came into operation, and their impact on the society. The political struggles waged by the various sections of the society as they responded to these reforms are discussed. The appropriate conclusions are drawn from the analysis and we point out what actions will need to be taken in the future in order to achieve the goals of recovery and development.

The Economic Impact of the Structural Adjustment Programme.

The impact of SAP on the economy has been mixed at best, otherwise, the various reform measures adopted have failed to transform the economy in the direction envisaged by the government in the reform objectives. As we saw in the case of

Ghana, the reform measures proved to be largely contradictory and obstructive of each other instead of being complementary, in their impact on the economy. In contrast to Ghana, and inspite of the commitment of the government to the reform programme, implimentation has not matched the level of commitment. This did not help the process of reform even for an economy that is comparatively more open than that of Ghana. The performance of the economy with regard to domestic production has been low and inconsistent since 1984 when stabilisation measures began to be seriously implemented (Table7.1). For a country with an annual population growth rate of about 3.5 per cent, the GDP growth has been disappointing. For instance, percentage change in real GDP which was -6.7 per cent in 1984 rose to 7.9 in 1985, declined to 3.2 and 1.8 per cent in 1986 and 1987 respectively, before rising to 4.1 in 1988 and an estimated 4.0 per cent in 1989. (2)

The industrial sector also did not on the whole, do as well as expected during the reform period. The results have been mixed, with certain sub-groups showing evidence of growth while others declined in terms of capacity utilisation. The introduction of SAP not only encouraged the development of a maintenance culture and the adoption of cost-effective measures in business, it also encouraged a switch to local sourcing of raw materials. There were clear signs of backward and forward integration, especially in agro-industries. Some industries

TABLE 7.1

DOMESTIC PRODUCTION
(Million Naira)

	1981	1982	1983	1984	1985	1986	1987	1988
Gross Domestic Prod.	78.3	78.3	78.8	70.0	75.5	77.9	79.3	82.5
% Growth	7.0	0.0	(5.7)	(5.1)	7.9	3.2	1.8	4.0
Index of Indu.prod.								
(1972=100)	185.5	197.2	154.6	147.0	169.4	166.0	197.6	220.0
% Growth	(2.8)	6.3	(21.6)	(4.9	15.2	(2.0	19.0	11.3
Index of Man..Pro.	394.9	447.0	319.0	280.8	336.5	323.5	432.3	491.6
% Growth	14.6	13.2	(28.6	(12.0	19.8	(3.9)	33.6	13.7
% Capacity Utility	73.3	63.6	49.1	42.0	37.1	38.2	40.4	40.7
Index of Agric.								
Prod.(1975=100)	90.1	92.1	83.9	91.4	95.8	102.1	100.3	103.3
% Growth	0.5	2.2	(8.9	3.5	4.8	6.6	(1.8)	2.9
Index of food Prod.	71.6	73.8	72.6	81.5	88.9	89.6	93.3	104.9
% Growth	5.9	3.1	(1.6	12.3	9.1	10.9	(8.8)	12.1
Index of Cash								
Crop Production	124.1	122.2	108.0	115.1	126.3	125.9	128.7	130.6
% Growth	13.4	(1.5)	(11.6)	6.5	9.7	5.3	2.2	1.5

Source: Central Bank of Nigeria, **Economic And Financial Review Vol.27** No.1 March 1989 p.54.

have been able to source 50-70 per cent of their inputs locally. The big ones among them like the UAC of Nigeria have invested in backward integration such as the cultivation of their raw materials, in order to enhance their operations.

Thus, it was mostly those sub-groups which sourced a greater proportion of their inputs locally that were able to operate at higher capacity utilisation rates. These included leather products, drugs and medicines, paper manufacture and products, soap and perfumes, cement and cement products, textiles, vegitable and grain milling, tyres and tubes, printing and publishing, wood and cork products, soft drinks, plastics beer and stout. They generally performed within the average range of 30-50 per cent of their capacities.(3)

However, for the industrial sector as a whole, performance was not impressive. The average capacity utilisation declined from a peak of 73.3 per cent in 1981 to 37.1 per cent in 1985, rose to 38.2, 42.0, and 44.5 in 1986, 1987 and 1988, respectively, before falling to 31.0 per cent in 1989. Also, a significant part of the industrial sector still relied heavily on the import of inputs to keep their production going. Such industries operated at less than 30 per cent of their installed capacities. They included the motor vehicle assembly plants, fabricated metal products, paints, radio, television and communication equipments, meat and dairy products. This was due largely to increased cost of imported inputs, limited supply of foreign exchange and the credit squeeze which limited access to working capital.

The SAP policies of trade liberalisation, exchange rate deregulation and high interest rates among others, have had adverse effects on this sector. The falling value of the naira made foreign exchange very expensive, as the credit squeeze and high interest rates also made borrowing very expensive. Many industries therefore, had severe shortage of working capital and had to cut back on production and raise prices. As a result of this, many small-scale industries were forced to close down because they had cash flow problems and were unable to borrow money to operate. Many of these small-scale enterprises were re-possesed by the banks because they could not keep up with payments of the debts owed to these banks.

Furthermore, the erosion of purchasing power by high inflation rates and the falling per capita income adversely affected consumer demand for industrial products. As a result of this weak consumer demand, industries were left with huge inventories of finished goods which they were unable to sell. The high cost of production made their finished goods too expensive for people to buy. This has increased the opposition of small-scale industrialists to SAP and also intensified their pressure on the government to protect local industries by banning the imports of competing goods. The industries with a high degree of dependence on the importation of inputs have been most vocal in seeking this protection. The motor assembly plants have been waging a two-prong attack on the importation and smuggling of new and, especially, used cars from Europe. On the one hand, they have continued to put pressure on the government to ban such imports, and on the other, they have launched a major media campaign of convincing the public of the advantages of buying home-made cars as against imported ones for which spare parts are usually not available. Other manufacturers have used advertisements with the skull and bone logo to appeal to the government to save them from extinction in the face of this foreign competition.

The situation in the industrial sector during SAP has badly affected the initial progress achieved in the local sourcing of raw materials. The high cost of production has served as a disincentive to the sourcing of raw materials locally, and has thereby helped to defeat the SAP objective to move towards significantly sourcing inputs locally. The unemployment situation has also deteriorated as a consequence of many of the problems discussed above. Most industries had to cut down on their production levels and on the work force, in order to maintain their margins of profit. The problems created in the industrial sector by the reform policies were also bound to affect other programme objectives adversely.

The agricultural sector has not done any better,despite the policy reforms. Agriculture is a very important sector of the economy and, its performance is therefore critical to the success or failure of the reform programme. Its importance is underlined by the fact that it employs over 60 per cent of Nigerians and also contributes about 30 per cent of the GDP. However, agricultural production continued to lag behind population growth even during the period of reform(Table 7.2). The index of agricultural production only managed a modest annual growth rate of 2.6 per cent under SAP, from an average annual growth of 0.4 per cent between 1981 and 1985.(4) Even the modest performance recorded under SAP seemed to have had more to do with favourable weather conditions than the positive impact of adjustment measures. For instance,good weather was largely responsible for the total output growth of 6.5 per cent in 1986, and low rainfall in 1987 led to a fall of 1.8 per cent.

There was also the initial modest gain of an increased movement of people into agricultural activities. This included both those who were retrenched from their jobs in the towns as well as those who were still in employment and were engaged in agricultural activities on a part-time basis. It became a

TABLE 7.2

ESTIMATED OUTPUT OF MAJOR AGRICULTURAL COMMODITIES.
('000 Tonnes, Except Otherwise Stated)

Commodities	1986	1987	1988+	Percentage between	change
	(1)	(2)	(3)	(1) and(2)	(2) and(3)
1. CROPS	1,336	1,202	1,370	-10.0	14.0
Maize	4,111	3,905	4,170	-5.0	6.8
Millet	5,455	5,182	5,534	-5.0	3.8
Sorghum	283	297	307	4.9	3.4
Rice	732	688	690	6.0	0.3
Beans	1,564	1,486	1,587	-5.0	6.8
Cassava	46	45	44	-2.2	-2.2
Potato	5,209	4,886	5,042	-6.6	3.2
Yam	373	354	300	-5.1	-15.3
Cocoyam	1,127	1,071	1,549	-5.0	26.0
Plantain	1,293	1,241	1,354	4.0	9.1
Vegetables Other Crops					
Groundnut	640	657	706	2.7	7.5
Palm Kernel	350	353	545	0.9	13.3
Palm Oil	650	715	786	10.0	9.9
Cocoa	100	105	200	5.0	72.4
Rubber	60	51	81	-15.0	19.6
					-3.6

......cotinued

Table 7.2 ......continued

2. LIVESTOCK					
Poultry	67	56	54	-16.4	-3.6
Goat Meat	192	206	209	5.1	1.4
Lamb/Mutton	68	75	81	10.2	8.0
Beef	223	232	260	4.0	12.1
Milk	180	182	188	1.1	3.4
Eggs	399	332	260	16.8	-21.6
3. FISH					
Artisanal Coastal and Brackish Water Catches	137.2	145.8	171.6	4.3	17.7
Inland Lakes/Rivers	107.0	103.2	50.9	-3.6	-50.7
Fish Farming/ Inshore Fishing	37.2	21.4	27.2	-42.5	27.1
Distant Water Catch	65.2	209.1	105.3	220.7	-49.6

+Provisional

Source: Central Bank of Nigeria, **Economic And Financial Review** Vol.27, No.3 September 1989. p.145

common feature to see civil servants resorting to growing food even in their own backyards in an attempt to protect their own living standards. Despite these developments, domestic food production did not satisfy the growing demand, and the government had to prohibit the export of some food items to alleviate the situation. The structural adjustment period also witnessed sharp increases in food prices, due largely to the effects of the reform measures. The adjustment programme induced sharp increases in food prices partly by shifting demand to local foodstuffs,from industrial processors. For instance, the breweries were forced to use maize,a staple food,as a substitute for barley in making beer. This immediately pushed up the price of maize beyond the reach of the low income groups in the urban areas.

The food shortages and price increases were also partly encouraged by the prohibition placed on the importation of food items like rice,maize,and wheat,as part of the reform policies. The policy of export promotion and the devaluation of the naira also encouraged price increases and food shortages. These measures led to the diversion of food products for export. This was done largely to earn foreign exchange in the face of a very weak naira,even in relation to the CFA used in neighbouring Francophone countries. The export of food was a highly profitable business which attracted a large number of speculators, increased the volume of food leaving the country and resulted in the government ban on such exports. The excess liquidity in the economy,particularly as a result of the reflationary budget of 1988,also helped to push up prices offoodstuff.

The poor performance of food agriculture was also related to the escalating cost of inputs which resulted from the deregulation of exchange rates and other reform measures. This pushed up prices and limited the capacity of farmers to afford the necessary inputs. Other areas of food production such as fish and poultry production also fared badly under SAP. The problems here were mainly the cost of new outboard engines, gas oil and lubricants for fishing,and feed inputs and disease control drugs for poultry; all of which have to be imported.

In the agricultural sector, some significant and consistent improvement was recorded in the production of cash crops. Cash crops, like cocoa and cotton, recorded significant increases in production. The price incentives offered to farmers in this subsector with the abolition of the Marketing Boards and the deregulation of prices induced the farmers to diversify into the production of cocoa, cotton, and groundnuts in order to supply raw materials to industry. Export crop prices rose 100-200 per cent over the period 1986-1988 (Table 7.3). However, this situation was not sustained for very long and prices began to fall dramatically in 1989. For instance,

TABLE 7.3

PRODUCER PRICES OF SELECTED AGRICULTURAL COMMODITIES
(Naira per tonne)

Crops	1982/83*	1983/84*	1984/85	1985/86*	1986	1987	1988
Benniseed	315	360	360	360	360	2,295	2,000
Cocoa	1,300	1,400	1.500	1,500	3,500	7,500	11,000
Coffee Arabica	1,155	1,255	1,405	1,450	4,000	5,00	6,000
Copra	245	245	300	---	---	---	---
Cotton	510	560	700	850	1,000	4,000	4,500
Groundnuts	450	450	650	750	1,000	2,075	2,250
Palm kernel Palm oil (special)	495	495	600	600	1,000	1,200	1,500
Rubber (top quality % dry lumps)	700	700	750	750	1,200	1,000	1,500
Soyabeans	175	230	300	500	550	1,500	2,000

± Commodity Boards Prices
* Market Prices

Source: Same As Table 7.2 P.146

cocoa prices rose from a fixed Commodity Board price Of #1,500 per tonne in 1985/86 to a peak of #24,000 per tonne in 1988, before collapsing to #8,500 per tonne in the third quarter of 1989. The prices of other crops like cotton, groundnuts, rubber, etc also declined over the same period. (5) However, we cannot deduce much from this except that it is the kind of volatility associated with the commodity markets which will hurt in the short-term.

The deteriorating commodity prices on the world market no doubt played a significant role in the collapse of domestic prices. However, other factors internal to the economy were equally important. These included the introduction of tighter monetary policies which made export credits difficult, and the oligopolistic practices of such dominant interests as the Cocoa Association of Nigeria and the textile industries. These groups have cornered the market and imposed the kind of restrictive practices which characterised the era of Commodity Boards. Other adjustment measures like high interest rates also made the situation worse. The initial gains made in this area are in danger of being reversed unless some of the adverse effects of the SAP measures are removed. This would require a review of the reform policies away from the direction in which they are now moving.

In the same vein, the increases in the export of agricultural products is less significant than the face value suggests. The volume of export of agricultural products increased by 19.4 per cent in 1986, and by 30.7 and 9.6 per cent in 1987 and 1988 respectively. The value of these exports also increased by an average of 65.4 per cent a year during 1986-1988, as a result of the depreciation of the naira exchange rate.(6) In dollar terms however,export performance in this sector was rather disappointing, even lower than the level recorded in the first half of the 1980s.

The cardinal objective of the reform programme to restructure the economy away from the over dependence on oil has remained unattained. Even though serious efforts were made to diversify exports by encouraging the non-oil sectors,the goal has remained elusive. No doubt, some improvement has been recorded in this area with the growth of the non-oil GDP on average by 3.8 per cent between 1986 and 1988. However, the oil sector still dominates the export sector in much the same way as cocoa dominates the export sector in Ghana inspite of the adjustment policies (Table 7.4) The ratio of oil to total export earnings and revenue has remained much higher than other exports. For instance, during the first half of the 1980s,that is before the Babangida government introduced SAP in 1986,it averaged 97.4 per cent. Since 1986 the ratio has averaged 91.7 per cent. The situation has remained the same with the contribution of the oil sector to government revenue. The yearly average was 70.8 per cent between 1981-1985,while it

TABLE 7.4

VALUE OF MAJOR EXPORT GROUPS BY S.I.T.C. SECTIONS
(Million Naira)

Year	Food (1)	Beverages & Tobacco (2)	Crude Material Inedible (3)	Mineral Fuels (4)	Animal & Veg. oils (5)	Chemicals (6)	Manufac Gds (7)	Machinery & Transport Equipment (8)	Mise. Mfd Gds (9)	Misc-Transaction (10)	Total
1983	273.9	-	22.3	7,304,0	3.9	-	8.7	-	0.3	138.7	7,751.8
1984	234.7	-	15.4	8,685.4	4.7	1.0	12.4	0.9	-	184.3	9,138.8
1985	243.8	-	15.2	11,335.8	0.4	1.4	6.3	0.8	-	114.2	11,720.8
1986	442.5	0.5	55.9	8,425.8	1.0	1.7	1.7	-	0.0	118.3	9,047.2
1987	871.0	1.8	228.0	28,208.6	2.0	64.7	70.6	2.2	0.8	138.5	29,577.9
1988+	133.9	0.3	33.6	2,157.2	0.4	41.4	6.6	0.2	0.1	12.4	2,385.9
1989+	108.1	-	134.7	3,060.0	-	24.8	8.6	11.2	1.5	19.7	3,369.1

+ March Figures

Source: Same as Table 7.3, p.126.

was 72.8 per cent between 1986 and 1988.(7) Thus, it is clear that for quite some time to come, the oil sector will continue to be the lifeline of the economy, especially because of the volatility in the prices of non-oil exports such as cocoa which accounts for 80 per cent of non-oil exports.

The SAP policies of devaluation,trade liberalisation and high interest rates, among others, adversely affected the export sector generally. These measures have rendered manufactured exports uncompetitive because of the high cost of production resulting from expensive foreign exchange, the liquidity squeeze, high interest rates and increased domestic cost of production. Domestic cost of production was always unnecessarily high in Nigeria and this has contributed to the enormous problems in the economy. In the past, the lack of adequate infrastructure forced industries to provide their own, often pushing up the cost of production and made Nigerian export manufactures uncompetitive. For instance,it was common for industries to have to install their own stand-by generators because the National Electric Power Authority (NEPA) could not guarantee adequate supply of the power needs of industries. The situation did not improve under the structural adjustment programme,it was even made worse by some of the reform measures introduced. Not only have infrastructures available remained inadequate,the price hikes induced by the adjustment measures, the high interest rates and liquidity squeeze have all worked to defeat the objective of diversifying exports away from oil.

The centre-piece of SAP in Nigeria was monetary policy which involved the extensive devaluation of the naira,the deregulation of foreign exchange allocation and of interest rates. This was so important to the reform package that the success of the whole programme was dependent on these measures yielding the required results. The whole question of efficiently allocating resources to productive sectors of the economy was considered to be the evidence of the success or failure of the adjustment programme. Therefore,the failure of the reform measures to turn the economy around and set it on the course of a non-inflationary(even low) growth can be traced to the failure of the policies adopted in this area.

The continuing devaluation of the naira,first through SFEM and then the Inter bank Foreign Exchange Market (IFEM),has led to instability in the naira exchange rate. The naira continued to fall since exchange rate deregulation was introduced in 1986. Inspite of attempts by the Central Bank of Nigeria to influence the process,and the several changes which were made in the operation of the exchange market by the government,the naira has fallen from 1.5 to the dollar in the first half of 1986 to 10 naira to the dollar in late 1990. Also,attempts to unify the foreign exchange markets have failed and the black market has continued to flourish at exchange rates much lower than those on IFEM.

The unstable state of the naira exchange rate has been a source of agony for the business sector. Some industrialists have called for the naira to be revalued upwards, on the grounds that it is significantly under valued. For instance,one prominent industrialist has argued that while the naira was over valued against the dollar by 23 per cent in 1984,by 5 per cent in 1985 and 4 per cent in the first quarter of 1986;it was under valued by between 68.1 per cent and 70 per cent between the last quarter of 1986 and 1987 and this has continued.(8) Also,another industrialist re-echoed the same sentiments,but in rather more nationalist terms

> With two billion pounds,Britain can come and buy almost 80 per cent of Nigeria's productive sector of the economy because we have devalued to such an extent that our goods are now very cheap. We have lost the basis of capital formation. Banks such as Union,UBA and First bank that used to have assets base like five billion dollars,with devaluation,they are saying our assets base is now ten billion. But in real terms, ten billion naira today is only one billion dollars. So the banks have lost over four billion dollars with the stroke of the pen because of SAP or the effect of the devaluation.(9)

The failure of exchange rate reform to create a viable and stable exchange rate of the naira has intensified the problem of resource misallocation. It was this problem and the need to ensure efficiency in resource allocation that reforms in this area became necessary and central to the success of SAP. As a result, the distortions in the economy remained.This was reflected for instance,in the pattern of imports during the period(Table 7.5). The foreign exchange available was for the most part not directed to the productive sectors alone. This problem was admitted to by President Babangida when he lamented that:

> Observed utilisation of foreign exchange to date is unsatisfactory as it has exacerbated distortions in the economy. For example, during 1987,only 0.45 per cent of FEM allocations went to agriculture,at the same time that 27.92 per cent was allocated for the importation of finished goods. The corresponding figures for the January to June period were only 0.6 per cent for agriculture and 26.8 per cent for finished goods.(10)

Another significant factor in the instability of the naira exchange rate was the scarcity of foreign exchange. The expectation that the market would be assisted by the supply of foreign currency from external institutions such as the World Bank, did not materialise. The Federal government resorted to the harmful policy of funding the foreign exchange market. Thus, before IFEM was introduced in 1989, the Central Bank of Nigeria (CBN) was funding the exchange market by an average of US$120 million every fortnight. This was done ostensibly to ensure the necessary supply of imported raw materials and spare parts to keep industries operating, to maintain the production of goods and services, and increase employment. The CBN even went to the extent of buying foreign currency from the autonomous market at the ruling rate and sell at FEM-determined rate to the banks.(11) This practice has continued with IFEM.

TABLE 7.5

IMPORTS BY MAJOR GROUPS
(Million Naira)

	1981	1982	1983	1984	1985	1986	1987	1988
Consumer Goods	5,736.3	4,480.5	3,700.8	2,656.7	2,069.3	1,757.8	4,304.7	7146.4
Durable	1,576.2	861.6	858.8	632.5	247.2	302.9	839.5	249.0
Non-Durable	4,160.1	3,618.9	2,842.0	2,o42.0	1,822.1	1,454.9	3,465.2	6897.4
Capital Goods	4,018.0	3,532.7	2,886.3	2,307.2	2,486.0	2,22.9	7,568.0	7957.4
Raw Materials	3,152.4	2.703.4	2,307.7	2,133.3	2,493.1	1,751.9	5,983.7	9785.9
Miscelleneous	12.9	53.9	8.9	81.1	14.2	6.0	5.3	10.7
Total	12,919.6	10,770.5	8903.7	7178.3	7062.6	5938.6	17861.7	24,900.4

\+ Provisional
Source: Federal Office of Statistics, Lagos; quoted in Central Bank of Nigeria, **ECONOMIC AND FINANCIAL REVIEW** Vol.27,No.1 March 1989 P.54.

The encouragement which the government gave to private companies and individuals by assisting the supply of foreign exchange through measures like the domiciliary account did not yield the results desired. Instead, the private sector added to the problems by way of companies and individuals engaging in the old habits of corruptly taking advantage of the system. In the case of companies,some of them involved in exports

> ...fail to repatriate their export earnings,preferring instead to keep such earnings in fixed deposits abroad with a view to earning interest thereon which are then not declared if and when the principal sums are finally repatriated.(12)

Many of these companies have simply used the liberalised environment under SAP to repatriate capital. The initial rush to export products such as the various cash crops ,was mainly to serve as cover for the transfer of capital abroad,a situation that was not possible under the highly restrictive conditions during the Buhari regime. This was reflected in the dramatic upsurge in the domestic prices of cash crops like cocoa especially between 1987 and 1988. Some of the companies, including multinationals,engaged were involved in the practice of buying foreign exchange from FEM for imports which they often did not declare. This was another source of leakage of foreign exchange. The misuse of FEM by companies was eventually addressed by the authorities when 112 of them were barred from trading in FEM,for failling to show shipping documents within the 90-day deadline in March 1990. Among these companies were big names like Federated Motors,CFAO,Bata,Lever Brothers, A.J.Seward and Nigeria Hoescht.(13)

The banks, it was widely claimed, also cornered the foreign exchange market and used it to make huge profits. Their monopoly over FEM enabled them to create scarcity by diverting the foreign exchange which they were expected to sell at a reasonable profit,to the black market where profits are higher. The sale of foreign exchange therefore became a lucrative business for the banks and they made more profit from it than from their other operations. Encouraged by the government's policy of liberally giving licences to more banks, the number of banks rose dramatically to take advantage of the lucrative market in foreign exchange. Thus, the number of banks operating in the country rose from 40 at the end of 1985 to 105 by the middle of 1990. Most of the new banks which were owned mainly by wealthy Nigerians, are hardly any better than the Bureau de change and they operate largely in rented offices in Lagos. Their incomes and profits are derived almost exclusively from their operations in the foreign exchange market.

The point is that most of these new banks would not have been given licences to operate because they were evidently ilequiped to operate as banks like all those which in operation before SAP was introduced. Their ill-preparedness was demonstrated by their inadequate resources which limited them to operate only in Lagos, in rented offices, which serve as both administrative headquarters and operational branches, in much the same way as a corner shop. They are also unable to compete successfully in the traditional banking activities, against the more established banks. That is why they depend almost entirely on the foreign exchange market for their income and profit. This raises an important issue which explains how these banks were able to obtain licences and the operation of the foreign exchange market by the banks. The issue involves the role of political favours in economic policy under SAP. If the new economic reforms were intended to make the state a more efficient manager, this is one area where the failure is evident. The old ways of the state persisted under SAP, with the government compensating the elite for the loss of income and wealth from the operation of import licence controls, the contract system, and the like. One form which this compensation took was the reforms in the banking sector which made it easier for the elite to set up their own banks and operate the foreign exchange market. The government supplies these banks with the foreign exchange to sell through the Central Bank of Nigeria. This arrangement partly explains the problems which have beset the foreign exchange market, and the huge profits which these new banks have made.

All the banks recorded higher profits during the reform period, and this had much to do with some of the policies pursued at the time. For instance, the foreign exchange market has been highly subsidised by the government and most of the subsidy went to the banks. The banks usually bought the foreign exchange cheap at FEM and sold it at exhorbitant rates. As one banker put it,"All a bank does is get a licence and its foreign exchange allocation is there for the asking".(14) The banks have also benefited from the credit system under SAP as they have made huge profits from interest income. The credit policy of the government forced interest rates up and subsidised bank earnings. Thus, the three giant commercial banks led the rest in declaring record profits. The First Bank of Nigeria saw its profits rise from # 53.4 million in 1985 to # 86.6 million in 1986, and # 106 million in 1989. For the Union Bank, profits after-tax rose from # 41.5 million in 1985 to # 53.8 million in 1986,#83.5 million in 1987, #112.3 million in 1988 and #152.4 million in 1989. While the United Bank for Africa recorded profits of #34.1 million in 1985, #42.0 million in 1986 and #73.6 million in 1987.(15)

The new banks which began operating during SAP also made huge profits. For instance, the Alpha Merchant Bank was not only able to break even in the first month of operation, it made profit after tax of #7.3 million in the first year and earned #19.5 million from interests on loans and advances, and foreign exchange transactions. By April 1989, just three months into its operation, the total assets of the Commerce Bank rose to #127 million and deposits stood at #108 million. The Nigeria International Bank which was incorporated in May 1987 declared a record after tax profit of #82 million.(16) Even though the Nigeria Deposit Insurance Corporation (NDIC) was reporting in August 1990 that 23 banks were in serious difficulties, with many of them undercapitalised and operating below solvency level,they were still able to record more profits in 1989 than in 1988.(17)

Another problem with the exchange rate deregulation was the role of financial speculators in the foreign exchange market. President Babangida himself identified them as "The particular class of Nigerians who were engaged in the old import licencing racket..."(18) These financial speculators were middlemen who usually obtained foreign exchange with the collaboration of officials, to whom they paid a percentage of the profit. Many of these people make more money from their dealings in foreign exchange than in most other productive areas of the economy. For instance,while small-scale industries are collapsing the harsh climate of SAP,the speculators in foreign exchange are making alot of profit. The speculation has involved acquiring foreign exchange from the official IFEM and then selling it on the black market where the naira exchange rate is much lower.Others have also engaged in the practice of exporting commodities and selling the foreign currency earned on the black market for alot of profit. This circle of buying from the official market and selling on the autonomous market has been possible with the collusion of the banks. The legalisation of black market activities through the setting up of the Bureau de change in 1989 did not squeeze out these activities. The banks and the speculators have monopolised the market and are reaping windfall profits from the depreciation of the naira.(19)

The instability of the naira exchange rate has generated very high domestic inflation and inturn has induced the further depreciation of the naira. Another source of inflationary pressure has been the persistent budget deficit,especially since the reflationary budget of 1988. Thus, instead of the low inflationary growth envisaged to result from the structural adjustment programme, inflation has consistently risen since 1985. In 1985, it had fallen to 5.5 per cent from 39.6 per cent the previous year, and remained low in 1986 at 5.4 per cent. But in 1987,it rose to 10.2 per cent, and in 1988 and 1989 it stood at 38.2 and 47.5 per cent respectively. The situation in 1990 was expected to be much worse, especially since informed observers have asserted that the actual figures for 1987 and 1988 could have been as high as 55 and 65 per cent.(20)

The high inflationary situation created during the adjustment period became a major obstacle to economic recovery and growth. All sectors of the economy were severely affected by this rising inflation and performance was generally disappointing. Since production and consumption activities were still critically dependent on imported inputs,production costs and prices were bound to rise very sharply. The result was that the adjustment programme became unattainable in the prevailing environment. The poor performance of the industrial and agricultural sectors is in part a consequence of the prevailing high inflation under SAP.

The impact of adjustment-related monetary policies was also not beneficial to the economy. The liberalisation of interest rates initially freed banks to charge competitive rates. The demand for loans was also high at the begining, especially because businesses needed more naira to buy foreign currency. This pushed interest rates up, particularly since the second half of 1988 when the reflationary budget added to the inflationary pressure. Interest rates rose from their average rate of 20 per cent in September 1988 to 30 per cent in October 1989. At the end of 1990, average rates of interest had reached the 35 per cent level. This development hit businesses very hard because it made borrowing too expensive and created cash flow problems for many businesses, especially the small ones.

Another problem which distorted monetary and credit developments in the economy was the excess liquidity which followed the 1988 budget and the inflationary pressure it generated. The government took drastic measures to soak up the excess liquidity in the economy and fight inflation. In 1989, the government directed all parastatals to transfer their accounts from commercial and merchant banks to the Central Bank of Nigeria(CBN). This move was expected to result in the transfer of about #10 billion to the CBN. Consequently, there was a severe liquidity squeeze and banks had to increasingly resort to using their treasury bills and other instruments in order to purchase their foreign exchange allocations, having lost most of their deposits.

Interest rates rose even higher and businesses were again hit hard.This policy of curbing excess liquidity was continued in 1990 through the introduction by the CBN,of Stabilisation Securities which required all banks to deposit money with the CBN over a 90-day period. This intensified the pressure on the banks and there was an outcry against it from the banks. Even though this directive was later withdrawn,the banks lost many of their deposits. For instance,total deposits dropped from #33.2 billion to #27.6 billion in May 1990 alone.(21) The impact of this on industries,particularly small-scale industries,was that they were increasingly unable to finance their operations or even repay their loans and many had to fold up.

Despite these measures, there was little sucess in controlling monetary supply and credit expansion (Table 7.6). Associated with this was the problem of rising budget deficit. In 1988, there was a deficit of #8.6 billion in the #24.3 billion budget. The 1989 deficit was #12.8 billion out of the estimated #30.1 billion.While in the first half of 1990 the government had over-spent its revenue by #14.895 billion, that is #895 million more than the projected deficit for the whole year.(22) This has also increased the level of the government's domestic debt,since it has had to borrow internally to finance these deficits. The task of curbing inflation therefore became more difficult as a result of the deficits.

A related problem was the failure to remove the persistent pressure on the country's external sector inspite of the reform measures. The external reserves continued to be inadequate, much below the minimum international convention for reserve adequacy. For instance, between 1981 and 1989, the country's reserves could only finance an average of 1.8 months of imports against the international convention requirement of a minimum of four months.(23) The balance of payments position also worsened during the period. From the surpluses recorded in 1984 and 1985, there were deficits of #784.3 million and #2,294.1 million in 1986 and 1988 respectively. The situation was even mildly veiled by the deferment of repayments due on external debt commitments since 1988.

TABLE 7.6

MONETARY AND CREDIT DEVELOPMENTS (END DECEMBER)
(Million Naira)

	1981	1982	1983	1984	1986	1987	1988	
Credit to Domestic Economy	16268	21906.8	28182.1	31141.6	32680.3	36820.3	41390.8	52201.6
% Growth	50.8	36.7	28.6	10.5	4.9	8.7	12.4	26.1
% Target	-	-	-	-	-	8.7	4.4	8.1
Credit to Private Sector	9654.2	11371.5	12353.9	12942.0	13700.2	17365.8	19125.8	23247.4
% Growth	34.3	17.8	8.6	4.8	5.9	26.7	10.1	21.5
% Target	-	-	-	-	-	12.8	8.4	13.3
Credit to Gov. Sector	6614.3	10535.3	15828.2	18199.6	18980.1	19455.3	22265.0	28954.2
% Growth	83.9	59.3	50.2	15.0	4.3	2.5	14.4	30.0
% Target	-	-	-	-	-	5.9	1.5	2.5
Money Supply (M1)	9744.9	10048.5	11282.4	12204.1	13267.8	12728.3	14905.9	21446.4
% Growth	5.6	3.1	12.3	8.2	8.7	-4.1	17.1	43.9
% Target	-	-	-	-	-	-	11.8	15.0
Money Supply (M2)	15548.1	16893.9	19368.9	21600.5	23818.6	24216.0	29994.6	39843.5
% Growth	8.0	8.7	14.7	11.5	10.3	1.7	23.9	32.8

Source: Central Bank of Nigeria, same as table 7.5.

Foreign exchange flows through the economy were another problem during the period. Even though total inflow rose by 45.1 per cent a year between 1986 and 1988 compared with a decline of 2.5 per cent between 1981 and 1985,total capital outflow also increased by 47.2 per cent over the same period compared with a decline of 8.2 per cent in 1981-1985.(24) An important factor in this massive outflow of capital is the debt service burden. Inspite of the rescheduling arrengements concluded between Nigeria and her creditors, debt service commitments continued to consume a large part of her earnings. In 1988, debt service took $1.90 billion, in 1989 it was $2.004 billion or 37 per cent of the budget while in the 1990 budget, $2.114 billion or 30 per cent was commited to debt service.

Another reason for the high outflow of capital is that there was very little foreign private investment in the economy during the period. The little that came in was directed at the trading and business services sectors where profits were high and could be easily repatriated, as the foreign companies have been doing since 1987. Thus,instead of foreign private capital being attracted as a result of the various reform measures adopted, the tendency has been to keep away. Even the bilateral and multilateral sources of external finance tended to dry up since the reforms were instituted. The problem with most bilateral and multilateral sources had to do with Nigeria's failure to meet the performance criteria set by the IMF, since all these sources of finance are invariably tied to IMF conditionalities. This unfavourable response to Nigeria's resource needs led President Babangida to complain that

> We notice that a number of creditors keep on shifting the goal post; and this has resulted in some net flow of resources out of the country. On the other hand, we have observed that some other countries which have done far less in reforms have ended up with more credit flows than Nigeria.(25)

Not only was financial assistance to Nigeria very limited, the little that was given was tied to IMF performance criteria. For instance in 1987, total external assistance was $356.6 million compared to $593.4 million in 1986. The bulk of this was from the World Bank which provided 90.5 per cent or $273.4 million,and Japan was the second largest contributor with $28.6 million or 9.4 per cent.(26) Also,when Britain gave Nigeria $100 million aid in 1989,its use was made conditional on meeting agreed IMF performance criteria. Thus, unlike Ghana which was treated rather favourably with the flow of more than $3 billion from the IMF and World Bank alone, Nigeria continued to be shunned.

Another source of pressure on the external sector of the economy during the reform period was the worsening debt position of the country. Debt management as we have seen,has imposed a heavy burden on national resources which could have been commited to more productive use. The debt outstanding has also risen rapidly during the period(Table 7.7), from $19.32

TABLE 7.7

EXTERNAL PUBLIC DEBT (END OF PERIOD)
(Million Naira)

	1981	1982	1983	1984	1985	1986	1987	1988
Total Commitments	8043.9	14714.5	17759.4	20982.7	29337.8	57029.0	142302.6	182857.8
Total Drawings	5188.3	10187.1	12845.0	17703.5	23195.0	48871.3	123522.2	164582.0
Total Repayments	682.5	1367.7	2267.3	3166.9	5904.4	7710.4	22734.6	30626.0
Total Outstanding	2331.2	8819.4	10577.7	14536.6	17290.6	41160.9	100787.6	133956.3
Debt/Export Ratio (%)	22.3	101.1	141.0	160.0	154.0	486.9	333.3	404.2
Debt/GDP Ratio(%)	4.5	16.1	17.4	21.2	21.9	52.8	127.3	162.2
Debt Service/Export Ratio %	5.0	8.0	17.6	29.1	33.2	29.4	11.9	24.7

Source: same as Table 7.6

billion in 1985 to $23.18 billion in 1986. In 1987 and 1988 it stood at $30.04 billion and $30.72 billion repectively, while in 1989 it was estimated to amount to $33.22 billion.(27) The burden of debt also exacerbated during the period when measured in relation to exports, GDP and service. Between 1986 and 1988, the debt/export ratio rose to 408.1 per cent from 115.7 per cent between 1981 and 1985. The debt/GDP ratio increased from 16.4 per cent to 114.0 per cent over the same periods, for the debt/service ratio, it increased from 18.6 per cent to 22.0 per cent.(28) Clearly the structural adjustment programme has failed to relieve the economy of the poor performance of the external sector.

However, if the economy as a whole did not perform well under the structural adjustment programme, others did very well as a result of it. These were the multinationals, the local bourgeoisie in both government and business, and the army of speculators which has dominated the black market. They have been the winners in terms of the distributional effects of structural adjustment. While most small-scale industries were collapsing because the reforms, the subsidiaries of the multinational corporations were like the banks, still making huge profits. Almost without exception, this category of companies performed very well. They were greatly assisted by their external connections with their parent multinationals which made them better equiped to take advantage of the liberal conditions under SAP.

Apart from the conducive atmosphere for the transfer of resources abroad, the profits made by these companies actually went up during the period. The UAC, which is the largest company in Nigeria and a subsidiary of Unilever, is a typical example of the winners under SAP. From its businesses in manufacturing, technical, trading and services, the UAC turned in profit after-tax of #31.0 million in 1984. In 1985 profits stood at #38.6 million, then #40.1 million in 1986, #51.0 million in 1987, and a pre-tax profit of #247 million in 1989. For John Holt, another big company involved in agriculture and fisheries, manufacturing, assembly and processing, distribution and services, profits were consistent at #23.1 million in 1985, #22.3 million and #21.9 million in 1986 and 1987 respectively. The Nigerian Breweries Ltd turned in profits of #26.5 million in 1985, #27.5 million and #48.6 million in 1986 and 1987 respectively. (29)

Another source of benefit for these companies and individuals was the privatisation of state-owned companies. The privatisation exercise became a virtual handover of public companies to private interests.(30) The privatisation programme has gone on together with the implementation of the debt-equity auctions. Both measures have made it easier for foreign and domestic private capital to take over then economy. Thus, many enterprises in agro-food, transport, hotel, cement, iron and steel, insurance, petroleum and even the highly profitable banking sector were put up for privatisation.

As we indicated in the last chapter, a major reason for the overwhelming rejection of the structural adjustment programme by Nigerians during the IMF debate in 1985, was the fear that public enterprises and wealth would simply be transfered to a few private interests, both foreign and domestic. There was also the fear that privatisation would widen the gap between the few rich and the majority of deprived Nigerians. There was more sympathy with the idea of commercialising public enterprises. Therefore, the decision by the government to privatise as well as the reasons it advanced, did not go down well with many Nigerians. The government had justified privatisation on the need to infuse efficiency; to hand over to Nigerians the control of their investments and the need to reduce state involvement in the economy.

The opportunity to test the positions of both the government and those opposed to privatisation came with the first exercise which involved the sale of Flour Mills of Nigeria and African Petroleum in 1989. The exercise seemed to confirm the fears of critics of privatisation, and heightened the controversy on the danger that foreign investors would eventually take over productive state enterprises. The government was unable to guarantee its undertaking to spread ownership widely to the public. From the beginning of the exercise, most people who wanted to acquire shares were unable to get even the application forms to fill. Most rural bank branches, post offices and local government offices did not get the application forms in good time to distribute to people and that ruled them out of the privatisation process.

Also, the public did not have access to the necessary funds to buy shares. Not only were most people too poor to afford shares, with per capita incomes having fallen to $370 in 1987 as a result of adjustment measures. They were also unable to obtain loans from the banks to acquire these shares. Even the local governments complained that they did not have the funds, expertise or the authority to buy shares. The federal government had merely advised the banks to make available special funds to their customers to buy the shares easily. The banks were too scared to risk lending to Nigerians this way. Moreover, things were made more difficult when, on the eve of the share sales, the CBN increased its re-discount rate from 12.75 per cent to 13.25 per cent. This meant that interest on bank loans rose from between 17-20 per cent to between 20-23 per cent. These high rates pushed up the cost of borrowing beyond what ordinary Nigerians could afford, and cleared the way for the rich to take over these enterprises. Thus, while the few gained more wealth, the majority suffered more losses as can be seen from the social impact of adjustment.

The Social Impact of SAP

One thing on which both the government and the critics of SAP are agreed is that the impact of the programme on the rest of society has been damaging. The disagreement has been on what to do to remedy the situation. While most Nigerians and critics of the adjustment programme have called for its abandonment as the way out of the social crisis, the government has taken the view that the reform programme is good for the economy in the long run and should therefore be continued. The social consequences it argues, only need to be addressed by implementing appropriate policies on the social dimension of adjustment(SDA). However, the point needs to be made that while the structural adjustment programme did not cause these social crisis, it certainly did exacerbate the situation especially with the economy failing to respond to the structural reforms.

The implementation of the various reform measures, particularly the depreciation in the exange rate of the naira, immediately pushed down the purchasing power of most Nigerians and their standard of living with it. For instance, Nigeria's GNP per capita was twice the average for Sub-Saharan Africa, estimated at \$760 in 1985. With the sharp depreciation of the naira following the introduction of SFEM in 1986, per capita GNP fell to \$640, and \$370 in 1987. This decline continued in 1988 to \$280 and \$230 in 1989, with projections up to 1995 putting it at less than \$300.(31) Thus, within three years, Nigeria's fortunes were transformed from that of a rich country to being an IDA-eligible country.

The inflationary pressure induced by the reforms severely weakened the purchasing power of the majority of the population. High inflation sent prices soaring and most people found it difficult to survive since even the most basic necessities of life were priced out of their reach (Table 7.8). The prices of food, housing, transport, electricity and other basic items rose several times more than the wages and earnings of most Nigerians could meet. The result was that most families were forced to face severe hardships, and those who were high wage and salary earners became as poor as the low income groups. The middle class which had emerged and become a significant section of the society in the 1970s, virtually disappeared under the impact of the reforms. There emerged a clear situation of extremes of wealth and poverty in the society as fewer people became richer and the majority became poorer.

TABLE 7.8

ANNUAL AVERAGE RETAIL PRICE INDICES
(Base: Nov.1975=100)

	1981	1982	1983	1984	1985	1986	1987	1988
1. Food	468.3	510.3	614.2	850.7	870.6	944.1	1,037.7	1,445.8
A.Staples	535.6	586.4	650.0	841.2	788.8	682.3	792.2	1,382.2
B. Meat, Fish & Eggs	421.3	486.1	584.8	917.7	1,073.9	1,249.9	1,389.9	1,690.4
C. Oils & Fats	276.8	267.0	612.9	982.8	792.9	754.9	601.6	1,061.7
D. Veg., Fruits & Nuts	385.4	456.8	545.3	646.2	676.9	890.7	931.9	975.9
2. Beverages & drink	278.5	287.7	311.6	452.1	576.8	644.9	640.5	858.3
3. Tobacco	186.3	209.4	210.8	234.3	261.9	300.1	358.3	537.8
4.Fuel &Light	274.3	302.9	343.0	340.6	359.7	719.1	591.9	684.6
5.Clothing	335.5	364.1	467.9	629.4	777.3	1,046.7	1,457.1	1,505.8
All Items	401.5	426.4	505.4	696.9	762.3	867.6	931.5	1,250.4

Source: Same as Table 7.7 p.57

The rising incidence of poverty among even the middle class elements was exacerbated by stagnant incomes. Salaries and fringe benefits in the public sector had remained frozen since 1982, when the government began to apply stabilisation measures to tackle the enfolding crisis. Since the government is the main employer of labour in Nigeria, it meant that most of the workforce remained poorly paid. Even when the federal government granted moderate wage increases through the Enlongated Salary Structure in 1988, these were very much lower than the increased cost of living up to that point. Since 1988 inflation has continued to eat up wages and incomes without a corresponding upward review of wages.

Nigerians have responded to the situation in different ways. The most common response particularly from even the high salary earners, is to engage in moon-lighting. Many people took on other part-time jobs to earn enough money to balance the family's budget. Most public servants resorted to using office working hours to engage in these unofficial activities, many of them undeclared or often illegal. The problem of corruption also became acute as officials at all levels and in all sectors took bribes in the process of their official work in order to top up their earnings. Even though corruption is endemic to the Nigerian system, it has grown worse during SAP. For instance, it became common practice for the police personnel to take bribes from armed robbers in return for the freedom of these criminals to operate without being caught. The rampant nature of corruption in the country is such that accusing fingers have even being pointed at leading functionaries of the military government at both federal and state levels.(32)

Another consequence of the adjustment programme is the increase in unemployment. Even though available statistics do not tell the true story of the state of unemployment in Nigeria (33), one estimate put the number of unemployed people at 10 million in 1989.(34) Apart from the many workers who lost their jobs due to the rationalisations in the public and private sectors, a growing number of the unemployed are young school leavers. A significant number are graduates of the colleges and universities which have turned out more graduates in the 1980s than in the previous decade. Thus, Nigeria's graduate unemployment rate is the highest in Africa.

The increased level of unemployment has worsened the problem of poverty in the country. Because the unemployed persons have had to depend on relatives who have themselves suffered reduced real incomes, survival has become more difficult. In the urban areas, an increasing number of people have been forced into living from the dust bins. They are mostly unemployed, young men and women and even school-age children, who scavenge the refuse dumps for scrap metals, wires, empty cans, waste paper and scraps of electronics, and then sell these to recorverers in order to make a living. A related problem to the deepening crisis is the increased rate of crime including violent crimes, against person and property in both urban and rural areas since 1985. Many of those involved are often young unemployed people. Even in work places, cases of theft by staff have increased. A notable example is the theft of letters by postal staff for money and other valuables.

The hardship generated by SAP has also led to a significant exodus of qualified manpower in critical areas like medicine, education, engineering, and other professions. For instance, a large number of Nigerian doctors, nurses,pilots,and engineers have been attracted by higher pay and better condition os service in the oil-rich Gulf states. The exodus to Europe and North America has also been considerable. The federal government was forced to acknowledge the seriousness of the problem of brain drain in 1988. In a typically Nigerian approach, the government appointed a Task Force on Brain Drain to look into ways of stemming the flow of highly talented Nigerians to other countries. The Task Force was expected to come up with a package of incentives enough to bring back those who had left and keep the others who yet to leave, at home. Meanwhile, there was a directive requiring all officers in the public sector to obtain written permission from their ministers before travelling abroad. After undertaking an extensive study tour of Europe and America, the Task Force could not find an affordable package of incentives attractive enough to keep the professional people at home and the federal government was forced to let the brain drain continue.

Another consequence of structural adjustment was the deteriorating state of social services and utilities. The services supplied have been insufficient and inefficiently rendered. One ofthe factors responsible for this situation has been the decline in the volume of services provided, due to reduced spending on social services (Table 7.9). Thus, services in areas like health, education, transportation, water supply and electricity supply actually declined because of these reforms. In the health sector, hospitals lack even the basic facilities and many of them are inadequately staffed by doctors. The situation is so bad that patients have to provide most of the medical items needed for their treatment. In the education sector, student intakes were progressively reduced, libraries and laboratories were without books and equipment even in the universities. The situation was the same in the other sectors.

The gradual removal of subsidies also increased the cost of services provided. Transportation fares have increased each time the price of petroleum products was raised. This has inturn raised costs in other areas such as the prices of food and other essential commodities. Water rates, medical charges,

TABLE 7.9

RECURRENT EXPENDITURE OF THE FEDERAL GOVERNMENT
(Million Naira)

Function	1983	1984	1985	1986	1987	1988+
ADMINISTRATION	2,433.2	2,677.3	2,638.2	2,675.7	6,046.3	5,777.8
General Admin.; Defence & Internal Security	2,433.2	2,677.3	2,638.2	2,675.7	6,046.3	5,777.8
ECONOMIC SERVICES	412.8	326.9	315.4	513.7	1,092.9	1,221.2
Agriculture	42.7	41.7	41.1	38.1	72.6	83.0
Construction	211.2	202.5	184.9	282.7	643.6	693.6
Transport &Communication	52.2	46.1	57.7	94.8	284.1	227.2
Other Econ.serv.	106.7	36.6	31.7	98.1	92.6	217.4
SOCIAL & COMMUNITY SERVICE	828.5	768.0	1,132.2	862.0	469.0	2,114.2
Education	588.8	657.9	697.2	483.8	354.0	1,458.8
Health	161.5	87.0	164.3	247.0	65.0	422.8
Other	78.2	23.1	270.7	131.2	49.1	232.6
TOTAL	3,664.5	3,772.2	4,085.8	4,051.4	7,608.1	9,113.2

\+ Provisional
Source: Adapted from, CBN; **ECONOMIC AND FINACIAL REVIEW**, VOL.27, NO.3 September 1989 p.154.

education levies and fees have been increased as part of the adjustment process. For instance, in 1989, the National Electric Power Authority (NEPA) was permitted to raise its tariff from 6 kobo per kilo watt hour to 24 kobo kwh. This was the result of considerable pressure from the World Bank for the price increase as a condition for the release of a credit facility of #4.2 billion to NEPA. Inspite of this price rise, the performance of NEPA has not significantly improved.

In educational institutions fees were re-introduced, as were other forms of levy which parents had to pay. In all the states, parents had to show evidence of payment of education/development levy before their children could enroll into primary schools. The cost of education rose drastically, with charges levied on such items as admission forms, examination fees, PTA development levy, etc. In addition to these, students were now responsible for their feeding and accommodation arrengements. The bursaries and scholarships which students used to enjoy were nolonger available, yet they have also suffered the full impact of the increase in the cost of food, transport,housing, medical care and the like. All these, combined with the fact that most students graduate only to swell the ranks of the unemployed, have led them into running battles with the federal government for the imposition of SAP.

The hardships brought about by the reform measures have affected the population across the urban-rural divide almost equally. For instance, even though unemployment was higher in the urban areas, inflation was felt more in the rural areas. The peasantry also had to endure the same shortages and high cost of education, health care, transportation, as well as development levy. Poverty has increased among these groups, inspite of the policies put in place by the government in order to tackle the social dimension of adjustment. The various programmes such as the Mass Transit programme, the National Directorate of Employment (NDE) and DFRRI, have not achieved any significant results. Thus, for most people the hardship has persisted, and the poverty intensifies.

The Political Impact of SAP

The introduction of the structural adjustment programme has intensified the political conflict between the government and its coalition partners who have supported economic reform on the one hand, and those opposed to the reforms from the beginning, on the other. Despite the efforts of the federal government to gain the support and commitment of Nigerians to the reforms,most of the people remained uncommited or even hostile to it. The emphasis on rural development through the activities of DFRRI did not lead to any substantial rural support for the government. Even the indigenous businessmen who had initially supported SAP backed away as soon as its negative consequences began to cripple their businesses.

The economic reform programme lacked the necessary political support of most Nigerians partly because they bore the brunt of the hardship which the reforms led to. There was also the general view that the economic crisis in which the country was immersed was caused not by most Nigerians but by the few rich and powerful in government and the private sector as well as their foreign associates. This view was reinforced by the detention of many politicians of the Second Republic for the part they played in bringing about the crisis. Similar views were strongly articulated by the highly influencial Academic Staff Union of Universities (ASUU), the National Association of Nigerian Students (NANS), and the Nigeria Labour Congress (NLC), both under the Buhari regime as well as the Babangida regime.

These groups along with the general urban population,continued to put pressure on government to abandon the structural adjustment programme. The pressure was part of a political campaign which took the form of strikes,demonstrations, riots, and the like. The first serious confrontation came with the April 1988 riots over the increase in the prices of petroleum products. The students had always been in the forefront of the opposition to many of the reform measures adopted. From the time the Babangida regime introduced SAP formally in 1986, the students have maintained a sustained political opposition to it. As a result, the colleges and universities have suffered sudden closures every year since 1986. Some of the institutions were closed down several times within the same session, thereby causing disruptions to academic life in the higher institutions.

The labour groups and the growing army of the unemployed have often coordinated their activities in opposition to the adjustment programme. Often, the workers acted or threatened to act in solidarity with the students who would usually have had their campuses invaded by the police and then subsequently closed down indefinitely. Overtime, and as the SAP-induced hardships intensified, this coalition of groups also grew and became more effective. For the NLC, the first major confrontation with the Babangida regime came in 1987 in response to the package of reforms in labour relations introduced by the government. Through them, the government shifted power in favour of employers. The most significant of these measures was the National Minimum Wage Amendment Order which exempted employers with less than 500 workers from paying the minimum wage.(35)

As a result of this measure, many workers had their wages cut by their employers. This was mainly because as many as 80 per cent of enterprises employed less than 500 workers, and employers were also permitted to meet wage bills according to their ability to pay. State governments were also empowered by law to deduct development levies from workers' salaries. Another issue of conflict between the government and the NLC was the removal of petroleum subsidy. The NLC successfully waged a propaganda campaign against it in coordination with students and other groups. This NLC-led campaign was so effective that the government put labour leaders in detention in December 1987 for alleged sedition. The government was forced to put off any price increases for petroleum products.

In early 1988, labour unrest gathered momentum among public sector workers at both federal and state levels,as they were pressing for the implementation of the new pay structure announced in the 1988 budget. Private sector workers also joined in the demand for commensurate wage rises, and this set wages rising. The government moved swiftly on the labour movement and dissolved the national executive of the NLC in February 1988, and subsequently, the executives of the 19 state councils. This was done ostensibly to the conflict between 'socialist' and 'democratic' factions within the NLC. From then on, the government appointed an administrator to run the affairs of the Congress until a new leadership was elected in

1989. However, this did not stop the unions from continuing with their campaigns against the adjustment programme. The presence in the country, of IMF and World Bank teams at the time, only stengthened the resolve of the unions to fight the government.

The flashpoint came in the form of the cut in subsidy for a wide range of petroleum products by between 6 and 500 per cent in April 1988. Public response was immediate and violent. It all began with the demonstrations organised by university students against the price increases and then spread to involve workers, self-employed people like traders, road-side mechanics and the unemployed and school children, who were then on holidays. The violence led to significant destruction of property and loss of life in places like Jos, Lagos, Calabar, and other university towns. The government promptly closed down all colleges and universities and moved on to confront the unions when they planned a nation-wide action in solidarity with students for June 4, 1988. Public demonstrations were banned, union secretariats were sealed off, and security forces were put on alert with tanks patrolling the streets.

The violent rioting and demonstrations continued as students and other urban groups sustained their pressure on government for the reform-induced hardships. The most violent confrontation yet was the anti-SAP riots which took place between 25th and 30th May 1989. It was as widespread as it was destructive to life and property. It took a major security action by the government to control the situation. But it sufficiently threatened the government so much that some senior members openly called it a civilian coup attempt. From this point, the government was fighting for its survival as much as that of the structural adjustment programme .

Lacking the essential political support for its reform package, the government became more repressive and violated human rights as it sought to stamp out opposition to the reform programme. The government increased its surveillance of university campuses and trade unions. Many student and union leaders were thrown into detention without trial under Decree no.2. Other opponents were also harrassed and detained for organising public lectures and conferences to discuss SAP. This was demonstrated by the arrest and subsequent detention of Lagos lawyer, Gani Fawehinmi and veteran labour leader, chief Imoudu for organising an anti-SAP public lecture.(36) The government responded ruthlessly to any actions it considered a threat to its policies of economic reform. For instance, in late 1988, 11 union officials from NEPA were tried by a military tribunal and sentenced to life imprisonment for their roles in a nation-wide strike which left the country without power supply for several days. The Babangida regime totally abandoned its self-styled image of a human rights-respecting government and became very much like its predecessor.

The result was an increase in social tension and political instability as the government tried to carry out the reforms demanded by the IMF and World Bank in the face of serious domestic political opposition. The country became more polarised along religious lines and ethnic rivalry intensified mainly because the government tried just about anything that would bring it the much-needed political support. The almost secretive manner in which the government took the country into the Organisation of Islamic Countries (OIC) was a clear political manuevre which left the country bitterly divided. These divisions were clearly reflected in the constant reshuffling in the government and the highly publicised disagreement between General Babangida and General Domkat Bali in early 1990. The government became even more vulnerable and the President had to concentrate power in his own hands. He became the defence minister, and brought all security services under his personal control.

When a group of army officers staged a bloody coup attempt on April 22, 1990, few Nigerians were surprised by it. In many cities in the southern part of the country, there was jubilation and demonstration of support for the coup in the streets in the initial stages. The bloody nature of the coup was evidenced by the scale of damage done to the official residence of the President, the many casualties including the killing of the Aid de Camp (ADC) to the President, as well as the President's narrow escape. The aftermath of the coup left the country openly divided and the government hanging on by the skin of its teeth. The coup was also followed by the predictable executions of over 60 people and the massive purge of the armed forces which surprised most people but left the President seemingly in control of the government. However, the damage done by the prevailing atmosphere of instability with respect to the flow of foreign investment is very enormous. The government has been doing its best to use the process of transition to democratic rule to send the right signals to foreign investors.

The government's control over the process of transition to democratic rule has been so tight that the impression has been created that the government is either intending to continue in power or at the very least succeed itself by choosing the next government. The government not only interfered continuously in the work of the Constituent Assembly, it also extensively amended the constitution after the work done by the constituent assembly. It imposed two parties on the country by refusing registration to all the political groups which were formed, on the grounds that they did not meet the impossible criteria which the government set for them. The government also drew up the constitutions of the two parties it had created and commited them to continuing with the economic reforms introduced by it. It has gone on to manage both parties by providing funds and administrative staff. On the whole,it is an experiment that is being keenly watched by the skeptical public because of its profound implications for the future of democracy and the country.

The introduction of the adjustment programme has also severely limited the independence of the government over the choice of policies and the management of the economy. The IMF and the World Bank have to a significant extent determined what policies the government should adopt. The issue of performance criteria has been a very useful instrument of this form of influence over the management of the Nigerian economy. The increasing political isolation of the government from the people has also helped to push it into closer cooperation with the external sponsors of SAP in the hope of achieving the seemingly elusive economic reco very and prove the necessity of the programme. Meanwhile, on the external front, this weakness of the government was veiled by the strategy of 'economic diplomacy' which was essentially a euphemism for the struggle to re-negotiate debts on favourable terms. Not only has this involved spending large amounts of scarce resources on endless foreign travels by officials on debt rescheduling talks, but also the pursuit of a less independent foreign policy than in the 1970s.

Conclusion

From the foregoing, it will be correct to conclude that the adjustment programme has been an even less successful exercise in Nigeria than in Ghana. Not only did the various reform measures not complement each other in creating an atmosphere favourable to recorvery and growth, they tended to deepen the crisis. The country is not in any significantly better state than it was before SAP, and the task of economic reco very has been made more difficult. There is no doubt that programme implementation lacked the consistency required, but it did not make the programme fail. The factors responsible are more fundamental than poor programme implementation.

The inappropriateness of the reform package adopted for an African economy like that of Nigeria is best illustrated by the failure of the private sector to perform well under SAP. Even before the introduction of the programme, the private sector was always free to operate in any area of the economy. However, inspite of this openness, the private sector avoided the productive sectors like agriculture and manufacturing industry without heavy government subsidy. Even when this subsidy was given, the domestic private capital seemed to abandon the field to foreign capital, which in turn preferred to be in the most immediately profitable areas like assembly plants in consumer goods. The orientation of the private sector was to use the state as a lever to create wealth for the indigenous and expatriate capitalists. It was not intended to expand itself through its own surpluses, that was why the state sector was made to expand its role in the economy. The private sector has therefore always corruptly used the state this way, and the same situation prevailed under SAP as the privatisation exercise clearly demonstrated.

Thus, the economic and growth of the country will depend on a number of factors some of which are outside its own control. For instance, the success of any measures in Nigeria will depend on the greater support of her creditors in terms of increased flow of resources into the economy. We have seen that unlike Ghana which actually received more external funding than the rest of Sub-Saharan Africa, Nigeria received very little funding. Instead, foreign private investors continued to shun Nigeria partly because of the unfavourable assessment of her performance by the IMF and the World Bank. Not only will increased flow of resources be necessary, the heavy burden of debt service will also have to be significantly reduced. In addition, the international development community and the economic powers in particular, have to be more flexible and supportive to the needs of countries like Nigeria. All these requirements are not within Nigeria's control. Nor are the required favourable changes in the international environment with regard to commodity prices, access to markets, debt negotiations and the like.

On the domestic front, there will have to be a fundamental re-orientation of policy objectives and direction away from the present situation which causes more misery, to something much more people-oriented. There will also be the need to sequence the policies in such a way that the objectives can be attained. Along with this must be the democratic participation of the people in the development process. This is necessary not only for the attainment of the political consensus needed on policies adopted by the government, but also to put the interest of the people first. These are some of the issues addressed in the next chapter.

Notes and References

1. This is a conclusion also reached by the World Bank after a decade of promoting structural reforms in Sub-Saharan Africa. See, The World Bank, 1989; **Sub-Saharan Africa: From Crisis to Sustainable Growth.**

2. Barclays Bank/ABECOR: "NIGERIA",July 1990.

3. Central Bank of Nigeria; **Economic And Financial Review** Vol.27, No.3 September 1989 p.12.

4. Ojo, M.O.: "An Appraisal of The Socio-Economic Impact of Structural Adjustment Policies in Nigeria"; in **Economic And Financial Review Vol.27** No.1 March 1989 p.43.

5. **Ibid** Vol.27 No.3 p.8.

6. **Ibid** Vol.27 No.1 p.44.

7. **Ibid** p.45.

8. This point was made by a leading Lagos Industrialist, Professor Ayo Ogusheye in early 1990. See,"Budget '90:Some basic issues", in **Daily Times,Monday, January** 22, 1990 p.24.

9. See interview with prominent Kaduna Businessman, Alhaji Lema Jibrilu, in **African Concord,** 3 December 1990 p.34.

10. This admission was made by President Babangida in his 1989 Budget Address. See **The Reporter,** Wednesday, January 5, 1989 p.4.

11. Ibrahim Ayagi, "In defence of the defenceless:Nigeria and Nigerians suffer for FEM" in, **The Reporter,Thursday,** June 16, 1988 p.8.

12. General Ibrahim Babangida, "Address to the Nation", 27 August 1988 and published in **The Reporter,** Monday, August 29, 1988 p.5.

13. **West Africa,** 26 March- 1 April 1990 p.507.

14. This point was made by Lawrence Osa-Afiana, managing director of Citizens International Bank in, **Newswatch,** September 3, 1990 p.53.

15. See, **The Nigerian Stock Exchange Handbook 1988/89; The Analyst,Vol.iv,No.1** January-February 1989 p.12-13; **Newswatch,** September 3, 1990 p.53; **Daily Times,** monday, January 22, 1990 p.24.

16. **The African Guardian,** May 15, 1989 p.34.

17. The NDIC findings are discussed in, "Not All That Glitters Is Gold", **Newswatch,** September 3, 1990 p.57 &60.

18. **The Reporter,** monday, August 29, 1988 p.5.

19. **The Reporter,** June 16, 1988 p.8.

20. **The Nigerian Economist,** Vol.3 No.9, February 5, 1990 p.6.

21. **West Africa,** 27 August - 2 September 1990, p.2444.

22. **The Reporter,** March 10, 1989 p.8.; **West Africa,** 26 November - 2 December 1990, p.2907.

23. Ogbe, N.E.; "The Internationalisation/Convertibility of the Naira" in, **Economic And Financial Review** Vol.27, No.1 March 1989, p.35.

24. Ojo, M.O.; **Ibid** p.46.

25. General Babangida, "Address to the Nation" in, **The Reporter,** August 29, 1988 p.7. It is significant that the President did not name any countries which had been less dedicated than Nigeria in implementing the required

reforms, but were favoured with generous funding from the Western countries. This can only be explained as an astute political move by General Babangida in which he addressed two powerful political groups. To the IMF and the Western governments who were exerting even more pressure on the Nigerian government to undertake far-reaching reforms, General Babangida was saying that it was politically unsafe for him to carry out the reforms required without adequate funding from them. To the domestic audience which was already opposed to the reforms, he was showing how much he was trying to make things easier for everyone while the external creditors were obstructing his efforts. Also, by complaining publicly about the inadequate external support , he was showing Nigerians that his government was not a hostage of the IMF carrying out orders, as critics were suggesting.

26. IFAD, 1989; "Federal Republic of Nigeria:Economic Brief", p.37.

27. Barclays Bank/ABECOR, **Ibid.**

28. Ojo, M.O. **Ibid,** p.47.

29. **The Nigerian Stock Exchange Handbook 1988/89,** pp 70, 117 & 123.

30. This was clearly summed up in the advertisement by the Technical Committee on Privatisation and Commercialisation in, West Africa, 26 November - 2 December 1990, p.2922 - 23; which invited corporate managers to bid for the twenty public companies that were being put up for sale.

31. IFAD; **Ibid,** p.3.

32. Both Gen. Babangida and Admiral Aikhomu have been accused of corruption. The alleged revelation of Gen. Babangida's wealth by the Black magazine, **EBONY,** was what partly led to the anti-SAP riots in May 1989. The allegations of bribery made against Aikhomu by a businessman were investigated by the police, and he was cleared but his accuser was detained without trial. Several military Governors like those of Cross River, Ogun, Rivers, Katsina, Gongola and Bauchi states were either investigated or removed from office as a result of their alleged corrupt activities.

33. See, for instance, **Economic And Financial Review** Vol.27, No.1 March 1989 p.57.

34. **The African Guardian,** June 12, 1989, p.18.

35. Van Hear, Nicholas 1988; "Labour and Structural Adjustment in Nigeria and Ghana", p.8-9.

36. Chief Gani Fawehinmi had long been in trouble with the regime for his human rights campaigns, especially for the court action he brought against two army officers for their alleged murder of popular editor of the **Newswatch** magazine, Dele Giwa. Dele Giwa was killed on October 19, 1986 by a parcel bomb which was sent to him after he had previously been harrassed by the two security chiefs.

Chapter 8

Beyond the Politics of Adjustment: The Future of African Recovery and Development .

The decade of the 1980s witnessed a dominant tendency for external forces to prescribe solutions to Africa. The prescription which dominated the scene was orthodox structural adjustment, implemented in Africa under the supervision of the IMF and the World Bank. Over the period, African affairs were also dominated by the politics of adjustment. African governments had to contend with the domestic pressure of populations opposed to the implementation of these reform programmes. On the external front, they struggled to meet the performance criteria and conditionalities set for them by the London and Paris Clubs of creditors and the IMF and the World Bank. This form of crisis management became the major pre-occupation of African countries.

Yet the decade of the 1980s has also been described as a lost one for Africa, in terms of development. During this period African countries lost any capacity which they might have had, to raise the quality of life of the people on a self-sustaining basis. Instead, these countries witnessed a deepening economic crisis, political instability and social disintegration. The 1980s for most of them, was a decade of development in reverse and a worsening of the prospects for future development , despite the implementation of Structural

Adjustment programmes. As Sir William Ryrie has also concluded,

> ...the overall result of all the efforts by African governments and their overseas helpers during the years 1980 - 1988 was that standard of living in Sub-Saharan Africa fell on average by 1.2% a year ... the overall record can only be characterised as one of failure.(1)

There is consensus that the various programmes of economic reforms and restructuring which were implemented under the supervision of the IMF and the World Bank have failed to yield the desired results. The point must be made that the Structural Adjustment Programmes implemented by African countries during the 1980s did not cause the African crisis, a process which began in the late 1970s. The point being made here and on which there is agreement even by Bretton Woods institutions is that these programmes have not been successful in arresting the crisis, instead, the situation has become worse. Thus, inspite of all the programmes of reform, Africa's situation at the beginning of the 1990s is much worse than it was at the beginning of the 1980s.

In this concluding chapter of the study, we summarise the experience of African countries with structural adjustment and draw some conclusions from this experience. We also look at the prospects for Africa's recovery and development in the future. This is done by discussing the changing international environment and its implications for Africa. The domestic constraints are also analysed and a strategy, based on the findings of this study as well as the experiences and debate over the last decade is proferred.

The African Experience With Structural Adjustment.

The general experience of African countries which adopted structural adjustment programmes in the 1980s is that they failed to generate recovery and growth in these economies. The evidence of this failure is clearly reflected in the performance of these economies over the period. The situation has, for instance, led to considerable frustration on the part of the World Bank. As a development institution, the World Bank has done more studies on Africa's development problems and has been more actively involved in promoting development in the region than any other institution. Yet inspite of these credentials, the Bank admitted to the failure of reform measures at the close of the 1980s.(2)

Africa entered the 1980s as the weakest region in the world where growth in the relevant sectors was either in the negative or negligible compared to other parts of the world. For instance, while other regions of the Third World were recording rising growth rates in agriculture, Africa recorded consistent decline. Between 1965 and 1989, East Asia's agricultural sector grew by 3.2 per cent during 1965-73, 2.5 per cent in 1973-80 and 5.3 per cent in 1980-89. South Asia's agriculture grew by 3.1 per cent in 1965 -73, 2.2 per cent in

1973-80 and 2.7 in 1980-89. Sub-saharan Africa's performance in this sector was 2.2, -0.3 and 1.8 per cent respectively over the same period. In industry, while Sub-Saharan Africa recorded growth rates of 13.9 per cent in 1965-73, 4.2 in 1973-80 and 0.2 per cent in 1980-89; the other regions were doing better. East Asia's industry grew at the rates of 12.7 per cent in 1965-73, 9.2 in 1973-80 and 10.3 per cent in 1980-89; while South Asia's rates were 3.9, 5.6 and 7.2 per cent respectively over the same periods. For services, the rates of growth were 4.1, 3.1 and 1.5 per cent for Sub-Saharan Africa; 10.5, 7.3 and 7.9 per cent for East Asia; and 4.0, 5.3 and 6.1 per cent for South Asia over the respective periods.(3)

The severe external imbalances which afflicted African economies in the 1980s and which structural adjustment reforms were expected to remove, have persisted into the 1990s. The measures adopted to achieve these external and internal balances such as exchange rate adjustment; monetary control; fiscal adjustment; the removal of price distortions; credit and interest rate policy reforms; and trade liberalisation, have not worked as intended. As a result, African economies experienced the worst external shocks during the 1980s compared to the other regions of the developing world(Table 8.2)

Table 8.1 Balance of Payments, 1963-1988

	Current accounts balance before official transfers		
Country	1965-73	1973-80	1980-88
Cameroon	-	4.8	-4.7
Congo	25.2	23.6	-13.8
Cote d'lvoire	-	-12.3	-11.5
Ethiopia	-1.8	-2.5	-7.1
Ghana	-3.5	-1.8	-5.1
Kenya	-5.5	-9.8	-7.0
Liberia	-	-1.2	8.1
Malawi	-	19.0	-11.1
Niger	-	-14.1	-14.3
Nigeria	-4.5	-1.6	-1.6
Senegal	-	-13.3	-15.8
Sierra Leone	-4.0	-15.1	6.3
Sudan	0.9	6.6	-
Tanzania	2.6	10.0	8.8
Zaire	15.6	6.4	9.8
Zambia	2.4	8.6	14.0

Source: Adapted from **World Development Report 1990**, p.167

Table 8.2 External Shocks in the 1980s, by region(% of GDP)

Region/Country	Terms of Trade shock*	Interest rate shock+	Total
Sub-Saharan Africa	-10.1	-4.4	-14.4
East Asia(excluding China)	- 3.9	-4.3	- 8.1
China	- 0.6	-0.6	- 1.2
South Asia(excluding India)	- 7.9	-2.3	-10.2
India	- 4.6	-1.0	- 5.6
Latin America and the Caribbean	- 6.3	-4.0	-10.3

Note: Numbers may not sum to totals because of rounding. The table shows changes in external conditions for 1985-88 compared with the average for 1970-80; it thus gives a measure of those shocks that persisted into the second half of the decade. Aggregations by region are not weighted.

* The difference between changes in export prices and changes in import prices between the two periods. Prices are in dollars and are weighted by the share of exports or imports in GDP.

+ Calculated from changes in the real interest rate weighted by the debt-to-GDP ratio. The real interest rate is derived from the implicit nominal interest rate (the sum of public and private payments less interest receipts on reserves divided by total debt) and from U.S. inflation.

Source: The World Bank, **World Development Report 1990**, p.107

The devaluations carried out by most African countries did not have the effect that was theoretically suggested. Instead, in all the countries concerned devaluation generated inflationary spiral which has defied all efforts to manage it even in countries like Ghana where the implementation of adjustment reforms have been more consistent. The failure of the battle against inflation jeopardised the chances of other reform measures succeeding as was clearly brought out in the case studies of Ghana and Nigeria. For instance, the productive capacity of the various economies was severely weakened by the inflationary situation.

The fiscal and monetary environment continued to be highly unstable inspite of reforms. Attempts to eliminate deficits have failed and in countries like Nigeria the level of deficit remained very high. Also, monetary control has remained elusive because much of the African economy is operating in the unofficial informal sector. This sector has become increasingly dominant in most economies as a result of the large-scale speculative activities taking place. These range from smuggling to currency dealings on the black market and forms of moon-lighting for which taxes were not paid. Very often the strength of the informal sector in resisting control is the result of the active involvement of a politically influential section of the society. This is often the case with those dealing in foreign currencies on the black market. In Nigeria, it is the same group which was influential enough during the second Republic to obtain import licences and sell on the black market that also ended up controlling the market in foreign currencies outside the official one.

Another area of failure is with interest rate policy and credit policy under structural adjustment. These have not had the effect of raising the levels of investment and savings. In fact, of all the other areas, investment and savings are the two factors which did not respond to the adjustment measures at all (Table 8.3).The experience was that interest rates were usually too high, that borrowing became very expensive even for businesses, and as a result, investment remained very low. A combination of high interest rates, high inflation and the continuous devaluation of local currencies led to declining industrial output, under-utilisation of capacity and the collapse of small-scale enterprises. The lack of growth in savings was caused by the high inflation, falling incomes and the large informal market sector.

The existence of the informal sector and its expansion, reflect both the resourcefulness of the society and the crisis of the state in Africa. As we have argued earlier in this study, the modern state has not established its roots in Africa. The relationship between state and society in Africa has remained turbulent, with the state seeking to dominate rather than accommodate society, while the society has sought to escape state control. The state has extended its dominance through taxation and the oppressive rule of the bureaucratic system. The escape this, the society has usually found refuge in the informal sector to avoid taxes through smuggling, the hoarding of money outside the banking system, and the use of many other ingeneous ways to meet economic needs which the formal sector has failed to provide. Thus, the informal sector has tended to expand when the formal sector is in crisis. It can, therefore, be argued that the persistence of the informal sector is an indication of the extent of crisis in a given country in the region.

Table 8.3 Investment, Saving, 1965-1988

	Gross domestic investment			Gross national saving		
Country	1965-73	1973-80	1980-88	1965-73+	1973-80	1980-88
Cameroon	16.6	21.8	21.6	..	17.0	16.9
Congo	29.3	34.0	38.2	4.2	10.3	24.5
Cote d'Ivoire	22.8	29.1	19.4	..	16.8	8.0
Ethiopia	12.8	9.5	12.7	11.0	6.9	5.6
Ghana	12.3	8.7	7.8	8.7	..	2.7
Kenya	22.6	26.2	25.7	17.2	16.4	18.7
Liberia	19.1	28.7	15.0	..	27.5	6.9
Malawi	20.0	29.7	18.3	..	10.7	7.2
Niger	9.7	23.8	16.3	..	9.7	1.9
Nigeria	16.3	22.8	13.9	11.8	24.4	12.3
Senegal	14.7	17.5	16.0	..	4.2	0.2
Sierra Leone	13.8	14.1	14.2	9.8	-1.0	7.8
Sudan	11.9	16.2	13.4	11.0	9.6	..
Tanzania	19.9	23.9	19.0	17.3	13.8	10.2
Zaire	13.7	15.0	15.2	29.3	8.6	5.4
Zambia	31.9	28.5	18.2	34.3	19.9	4.3

+ Excludes transfers, 1965-69
Source: **World Development Report 1990**, p.167

Trade liberalisation has equally not worked largely because of the extremely weak capacity to switch from imported products to local products. Dependence on imported inputs remains high and continues to add to the pressure on the external sector. The export-oriented strategy which was an aspect of the trade reforms also failed to improve export performance and diversification of exports remained very low. For instance, the region recorded a consistent decline in export volume from the mid-1970s right through the 1980s. In 1965-73 the export volume stood at an average annual percentage of 15.1. Between 1973-80 there was a dramatic decline to an annual average of 0.2 per cent and a negative rate of growth of -2.0 per cent was recorded between 1980-86. This trend continued with a growth of -0.1 per cent in 1986 and -1.8 per cent in 1987 before recovering to 1.2 per cent in 1988.(4).

Futhermore, the structural reforms carried out in Africa did not attract foreign investment as was expected. For the region as a whole, foreign investment has been almost negligible, not more than one half of one per cent of GDP or a mere $2 per capita. The new foreign investments that have taken place in Sub-Saharan Africa are mostly in a few large mineral projects such as gold in Ghana and oil in Nigeria and

Gabon, for example. There has been very little investment in manufacturing by foreign companies. Thus, for most countries, foreign investment was virtually at a standstill.(5). A related problem is that the funds flowing into Africa during the period of adjustment has resulted in the continent becoming heavily indebted instead of raising living standards and strengthening the economies as was expected. Africa entered the 1990s with a debt that is about 100 per cent of its GNP and more than 350 per cent of its export earings. About 70 per cent of this debt is at market rates.(6). The rising debt continues to be a major obstacle to reform measures.

The structural adjustment programmes have deepened the crisis on the social front. The reform measures have caused more hardship and poverty to the populations of Africa. As the World Bank has observed,

> The crisis is taking a heavy toll in human terms. In several countries expenditure on social services is sharply down, school enrollments are falling, nutrition is worsening and infant mortality continues to be high. Often unemployment in the towns, especially of educated youth, is also on the rise.(7).

For most of the 1980s , Sub_Saharan Africa continued to record falling per capita incomes. Within the same period countries such as Equatorial Guinea, Ghana, Liberia, Nigeria, Sao Tome and Principe and Zambia all slipped from the Middle-income to the low-income group.(8).

The impact of structural adjustment programmes on vulnerable groups has been documented and tackled within the framework of the Social Dimension of Adjustment (SDA). Inspite of the consensus on the need to mitigate the SDA, the measures adopted have resulted in failure. The SDA policies have not worked because they have not been integrated into the structural adjustment programmes, they have remained after thoughts. Thus, these projects were starved of funds as the World Bank and the IMF applied conditionalities in disbursing the funds set aside for this purpose. This additional funding was therefore with-held from those countries implementing structural adjustment programmes as a result for instance, out of the $7 billion voted for disbursement under the Enhanced Structural Adjustment Facility (ESAF), only about $1.5 billion had been disbursed by May 1990 and yet ESAF ended in 1990.(9).

Another issue which has not received as much attention as the economic and social impact, is the political impact of structural adjustment programmes on Africa. The failure of governments, whether military or civilian (usually one-party) regimes, to resolve their economic problems often had the political effect of generating pressure on such governments to be replaced with multi-party democracy. This was demonstrated in the fall of governments in the Sudan in 1985, Nigeria in 1983 and 1985, and Benin in 1989 when they failed to resolve the economic decay in their countries. The structural adjustment programmes have also deepened the political crisis in Africa. The governments have lost the authority or the free hand to make economic policy, or to operate as an economic force. The close supervision to which African countries are subjected under structural adjustment by the IMF and the World Bank has left them little room to manoeuvre as a result of the conditionalities and performance criteria imposed on them. This surrender of the economy to the rule of market forces as a result of external forces, has cost the governments legitimacy in their countries. Most Africans have come to credit economic policies adopted under structural adjustment to the IMF and the World Bank. This has reinforced the popularly held notion that the structural adjustment programmes amounted to a surrender of sovereignty over the economy and natural resources by the countries concerned.

The reform measures have also put much pressure on the African ruling elite in other respects. The limiting of the role of the state in the economy and the dwindling amount of resources now available to it meant that the ruling elite was denied the resources which they could have employed to stave off growing domestic opposition to structural adjustment. The welfare programmes and subsidies which most African governments had used to gain and maintain political support in the past were now virtually unavailable because they were forced to cut back public sector spending. In the absence of this carrot the ruling elite has generally resorted to the use of the stick by unleashing reppressive and dictatorial rule on their people.

Because structural adjustment could only be implemented by means of coercion, it has destroyed whatever was left of democracy in Africa, increased military dictatorship and the militarisation of politics. As a result, human rights violations have increased over the period as governments became increasingly intolerant of any form of dissent. Most governments resorted to the use of draconian laws to detain people without trail, and to torture and even kill in the name of national security. The press and other social organisations like trade unions, students unions, and churches, which opposed the implementation of the reform measures were often harrassed and emasculated.(10)

The adjustment process has also deepened the political instability in these African countries. The continual use of the state as an instrument of accummulation of wealth through corruption by the ruling elite has intensified public resentments towards the governments. Often, policies were adopted to aid the elite in their accumulation of material resources even if such policies were harmful to the adjustment programme. A good example is the operation of the foreign exchange market and the licencing of many new banks as well as the privatisation exercise in Nigeria which gave the elite enough opportunity to increase their wealth at the expense of the rest of society. Corruption is so pervasive inspite of public sector reforms which were carried out as part of structural adjustment that public institutions have deteriorated very badly. The situation has led to many incidents in demand for a return to multiparty democracy. The World Bank has described this political crisis as a problem of good governance and has also joined the ranks of forces in favour of democratic political reforms in Africa.

Within Africa, there are many organised groups which are now working for democratic change and they are already making an impact. In countries where governments have resisted demands for democratisation, mass movements have emerged and forced the issue of democracy on their governments. For instance, the activities of the Movement for Freedom and Justice (MFJ) in Ghana, and the Movement for Multi-party Democracy (MMD) in Zambia, have forced their respective governments, however reluctantly, to move towards the restoration of the multi-party system. The experiences of both Ghana and Zambia have been repeated all over the continent. This movement towards democratic change in Africa has been influenced by the crisis in the region and external developments such as the political changes in Eastern Europe. The impact of external developments on Africa is also clearly reflected in the **African Charter for Popular Participation in Development.**(11) This Charter emerged from the International Conference on Popular Participation in the Recovery and Development Process in Africa, held in February 1990, in Arusha, Tanzania. Participants at the conference were drawn from various Non-Governmental organisations representing Farmers, Women, Youth, and Workers in Africa, African governments, the OAU, ECA, and Northern Non-Governmental organisations. The Charter, sets out an agenda for the attainment of democracy and popular participation in Africa. Already, this pressure has resulted in the removal of the Presidents of Benin and Guinea Bissau through elections.

The political impact of structural adjustment in Africa manifested itself in the varous 'IMF riots' throughout the 1980s. These riots were usually in response to the hardships and the growing inequalities in the distribution of wealth resulting from the structural adjustment programmes. Most Africans do not want to suffer unduly from the hardship of the structural adjustment programmes. The common attitude among the African populations is that they do not see themselves as contributing to the crisis for which adjustment programmes were put in place.

Instead, the blame for the crisis and the unpopular measures of reform is squarely placed at the doorstep of the African ruling elite and their external collaborators, usually the multinational corporations. The continuing high level of corruption, the increased prosperity of the ruling elite under adjustment, as well as the repression occasioned by SAP are seen as evidence of the responsibility which the elite bear for the crisis and the hardship which has followed adjustment. This division between the governments and their people has led to the mass pro-democracy demonstrations in many countries as part of the attempts to seek alternatives to SAP.

These experiences with SAPs have been felt by all the countries in which they were implemented . This is clearly demonstrated in the experiences of Ghana and Nigeria which inspite of their different economic structures recorded similar failures with the adjustment measures. Nigeria is a more open economy with a comparatively large private sector and is a rich oil exporting country. Ghana on the other hand, has had a very strong and dominant state sector, a much smaller private sector and is much poorer than Nigeria.Yet both economies not only experienced severe crisis from the late 1970s,they have also not been particularly successful with their structural adjustment programmes. But on a comparative basis the more open Nigerian economy has performed worse than the more state-controlled economy of Ghana. This general experience of failure by economies with different characteristics leads us to draw a number of conclusions and lessons from the failure of orthodox SAP.

A significant issue in the failure of SAP in Africa is that it was essentially a strategy of crisis management in the short-to-medium term. It has been concerned mainly with achieving recovery through the use of competitive market forces and the achievement of internal and external financial balances, measures which Adedeji has described as "narrow, economistic and mechanical".(12) This orthodox strategy, we have argued, is not suited to the African crisis which is fundamentally structural and long-term. It is not a purely economic crisis, it is also a political and human crisis and needs to be tackled by attacking the root causes. Therefore, achieving balances does not necessarily lead to recovery and development. Even if the desired balances were to be achieved, it would not necessarily mean that other sectors of the economy such as industry, agriculture, the diversification of exports, and the like, would do well. In the African situation, orthodox adjustment has largely proved to be inappropriate.

Another problem with orthodox adjustment is the absence of real knowledge or experience of its consequences, especially in the low-income economies. Therefore, SAP was more of an experiment than a prescription of remedies which had been successfully tried under African circumstances. For instance, there was a failure to understand that the fundamental institutional and political weaknesses in these countries could jeorpardise the adjustment process or even reverse it. Thus, attention was not paid to the need to build a political consensus which could sustain the programmes. This can be seen in the widening inequalities in the distribution of wealth and the reppression used by governments to implement SAP. In the end, the losers have been the majority of the people who have shown their determination to derail the adjustment process through mass political action and other forms of protest.

Furthermore, orthodox SAP is mainly designed to align African economies to a world economy run by market forces. SAP is attempting to cause a fundamental change in the development paradigm in Africa and not adjustment in the classical experience of the West.(13) It does fit into the strategy of the major capitalist powers such as the USA, Britain, West Germany and Japan from the early 1980s. This is the strategy of creating and expanding a world economy operated by market forces with little or no government intervention. The IMF and the World Bank have been merely instruments in this strategy. These two institutions have been trying to convince African governments under the guise of adjustment of the superiority of the market system over the African form of mixed economy and state interventionism which they argue is unworkable. Indeed, they attribute the crisis to the failure to introduce the market system.

This position of the Bretton Woods institutions has clashed with the African view as expressed in documents such as the LPA, APPER, and UN-PAAERD, which advocate self-reliance and state intervention in the economy. Also, because the African ruling elite have benefited materially and politically from state intervention in the economy, they have not been too keen to assist in abandoning it for the unregulated rule of the market. It is not surprising that some sections of the ruling elite have often attacked certain aspects of the reforms such as devaluation, liberalisation of trade and interest rate policy. Even among the populations, a commanding role for the state in the economy along socialist and mixed economy lines is accepted as a means of exercising national sovereignty over resources and social justice in the distribution of wealth. From this perspective, it can be seen that SAP was implemented defensively rather than with enthusiasm. Hence, reform measures often faced half-hearted implementation by officials who did not necessarily share in the conviction of the IMF and the World Bank or their governments on SAP.

However, despite its failure , SAP has succeeded in nudging African economies in the direction of the market system. The culture of the market place enjoys a higher profile now than before SAPs were introduced. The evidence is seen in the commitment to observing free market norms and practices in business dealings both domestically and externally. For instance, some African countries have established stock exchanges, are more strongly committed to honouring debts and other obligations, emphasise efficiency and cost-saving measures, and the like. Africa is therefore being fully integrated into the global market economy through SAP, but on terms not determined or even influenced by Africans. Moreover, Africa has come out of the 1980s much weaker and faces the future with much reduced prospects for recovery and development. The changing global situation presents formidable obstacles to African recovery and development, thus raising serious questions on the prospects for the future.

Prospects for Africa's Recovery and Development

Despite the experiment with structural adjustment over the past decade, most countries have continued the adjustment programmes into the 1990s. With the support of the IMF and the World Bank, in some countries such as Ghana and Nigeria SAPs are now well into their next phases and extend to 1992. There is now a general consensus on the need to promote growth as an integral part of any recovery measures in the future. This position is also clearly endorsed by the World Bank which now advocates the necessity of rebuilding capabilities at institutional, infrastructural and human levels . However, the prospects for Africa continue to be bleak largely because of the international economic environment which is becoming increasingly hostile. Any serious attempt to address the crisis in the present manner is likely to be jeopardised by the limitations of the external environment on Africa.

First, Africa remains marginalised and vulnerable in the international economy and in world affairs. Africa lost much ground in the 1980s on almost all fronts and is therefore not strong enough to meet the challenges to its own advantage. This situation has forced one African leader to lament that

> Africa is suffering through this without credible ability to influence the course of events or the direction of the world. Africa is not consulted on how the world is run or worse still on the prices of her commodities. We are not consulted when the interest rates are manipulated to suit domestic financial and monetary policies though we are the victims of that manipulation.(14)

The ideological triumph of the market globally as the ideal solution to economic problems, imposes limitations on efforts at recovery in Africa. We have seen how the rigid application of market forces under SAP was partly responsible for the failures recorded. Yet, the Western creditors and the Bretton Woods institutions continue to insist on the market strategy and the limiting of the role of the state in the economy even when this is not appropriate to their economies. This imposition of the market solution has curtailed the freedom of these economies to manuoevre and will further weaken them.

Another issue is that since market forces will continue to determine the flow of investment globally, most of Africa will be by-passed in the process. This will not be a conspiracy or a deliberate act by the rich countries to hurt Africa. The fact is that market forces will allocate investment only to areas that are more profitable and therefore attractive. Africa is bound to lose out because it is not an attractive area to invest in despite the reforms carried out. But areas like Eastern Europe will attract more investment than Africa because they present better prospects for higher returns. Other parts of the Third World are also better placed than Africa to attract foreign investment. In such a situation, Africa's recovery will be severely constrained since there is dire need for massive flow of investment into the region.

Another obstacle to recovery in the 1990s is the deteriorating terms of trade. Primary commodity exports collapsed in the 1980s and prices fell dramatically, with the prices of coffee and cocoa falling to their 14 year low. Sub-Saharan Africa is most affected by the continuing decline in the terms of trade than other regions of the developing world. For instance, Sub-Saharan Africa experienced average annual change in terms of trade of -8.5 per cent in 1965-73, 4.8 per cent in 1973-80, -4.0 per cent in 1980-86, -21.5 per cent in 1986, it improved in 1987 to 2.9 per cent and fell again to -4.4 per cent in 1988. By comparison, East Asia experienced average annual change of -0.6 per cent in 1965-73, 1.2 per cent in 1973-80,-1.3 per cent in 1980-86, -6.1 per cent in 1986, and improved to 0.5 per cent in 1987 and 1.1 per cent in 1988. While South Asia performed even better with average annual growth of 3.7 per cent in 1965-73, -3.4 per cent in 1973-80, 1.5 per cent in 1980-86, 3.1 per cent in 1986 and 1.2 per cent and 2.0 per cent in 1987 and 1988 respectively.(15)

In addition to the deteriorating terms of trade and declining levels of export earnings, Africa's trade dependence on a few primary exports and manufactured imports as well as concentration on a few export destinations will continue into the 1990s. And, with Africa's share of world exports estimated to have declined from barely 2.2 per cent in 1988 to 2.0 per cent by 1990, there is a desperate need for the region to improve its performance in this area in the years ahead. Here too, Africa faces enormous problems of access to advanced country markets. These problems will result from the growing tendency towards the formation of large trading blocs and unified markets by the developed countries. The most notable examples are, the Single European Act of 1987 which commits the countries of the European Community to the creation of a single market by 1992, and the Canada-US Free Trade Agreement of 1987. There are signs that these two economic groups will expand in the future to include other countries in their respective regions.

From these developments, the signs are that Africa's exports will face severe restrictions in the two most important markets for her commodities. Already, the Lome Convention has proved to be an unsatisfactory arrangement since it offers only limited compensations on commodities that are within the Stabex scheme.The conditions for enjoying such compensatory schemes have been further tightened by the EC to include economic reforms which the ACP countries have to implement before they can draw funds from Stabex. The EC is also advocating the selective application of safeguards or temporary import barriers so as to protect local industries. In addition, the EC is demanding protection for intellectual property such as trade marks, patents, and other fees, by nationals or companies of member states.(16)

Another set of obstacles to Africa's recovery and development is the implication of the Uruguay Round of GATT negotiations for access of exports from developing countries to advanced country markets. Apart from the restrictions placed on developing countries such as the Multi-Fibre Arrangement on textiles and clothing, Voluntary Export Restraints and Orderly Marketing Arrangements; the advanced countries have included non-trade issues in the GATT negotiations. These issues cover foreign investment, intellectual property rights, and services. The aim of the advanced countries is to apply GATT rules on trade in goods, to these three areas. For the developing countries, GATT is being used in this way to abolish the development priciple and further increase the power of the developed countries in the global economy to the detriment of the interests and aspirations of the developing countries.

To the developing countries, the application to trade in services of the rules traditionally applied to trade in goods will destroy their ability to develop their service industries. It will mean that there will be an excessive dependence on imported services, which will further increase the proportion of value added being transferred abroad. It will also increase the dominance of multinational corporations in the services sector and seriously weaken the development process. There is also resentment of the fact that the proposals for liberalising trade in services relate only to capital-or technology-related services in which the developed countries have comparative advantage, and to the exclusion of labour-related services in which the developing countries have comparative advantage. The position of the developing countries on this is that:

> To be consistent with the objective of promoting development, any multilateral framework for services must provide for adequate and increasing opportunities for the growth of a strong producer-services sector in developing countries... Simultanuosly, the new regime must also facilitate the growimg participation of developing countries in the world export trade in services.(17)

The inclusion of trade-related investment measures(TRIMs) on the agenda of the Uruguay Round of negotiations is also harmful to developing countries such as those in Africa. This attempt to establish new rules for private foreign investment is designed to promote the interests of capital-exporting countries and their multinational corporations. The implication for the capital-importers is that they will not be able to regulate such investment to promote their own development priorities. In a situation where the multinationals operate as monopolies and engage in restrictive business practices, market-sharing arrangements, restrictions on the free flow of technology, and the like. It is necessary for developing countries to regulate foreign investments so as to maximise the advantages to their economies. If the developed countries have their way on this, multinational corporations will operate freely and thereby exacerbate the inequalities of the existing system against which the developing countries have fought without much success.

Finally, the advanced countries are trying to strengthen and expand their monopolistic rights over technology by getting the developing countries to change their national laws to respect these interests. They are currently doing this through the GATT negotiations on the trade-related aspects of intellectual property rights(TRIPs) in the Uruguay Round. Since the developing countries are almost entirely buyers of technology on the world market in which the developed countries as sellers are in a oligopolistic position, the possibility of technological advancement in the developing countries will be adversely affected if the developed countries succeed in imposing these restrictions through GATT. Even though the GATT talks had not been concluded at the time of writing, the fact that the talks have been essentially between the advanced countries of the EC, North America and Japan, means that they are likely to have their way. Also, the determination of the U.S.to press home its advantage in these three sectors means that regions like Africa will not derive any gains from international trade and this will jeopardise their prospects for future development. For instance, even with respect to agriculture where EC policy on subsidies has come under severe attack from countries like the USA and Australia with obvious advantages for developing countries, Africa is expected to lose from it. It has been indicated that African countries would experience a net loss of between $2 billion and $3 billion a year from the current GATT round of negotiations.(18)

By far the most serious problem and challenge to Africa's recovery is its huge external debt. In 1989, the region's external debt stood at US$256.9 billion and still rising. The total debt represents 93.3 per cent of GDP and 328.4 per cent of total exports of goods and services.(19) Africa is now the most idebted region in the world, a situation underlined by the frequent rescheduling of debts which the African countries undertook with the Paris and London Clubs of creditors. For instance, out of a total of 64 countries which signed debt rescheduling agreements with these clubs between 1980 and 1989, 31 were from Africa. Furthermore, many African countries have signed rescheduling agreements between 7 and 14 times over the same period.(20) Another dimension to this problem is that about 70 per cent of the debt is at market rates. This level of indebtedness has made recovery very difficult to attain and as long as it persists, it will remain a formidable obstacle to the recovery effort.

In addition to the worsening debt situation, Africa is also a net exporter of capital to the richer and more prosperous parts of the world and the multilateral financial institutions. The share of the IMF and the World Bank in the total debt of Africa is now 24 per cent, while 40 per cent of debt service payments on non-concessional debt goes to these institutions. The extent of capital flight, largely through the net outflow of resources from Africa was estimated at about US$6 billion in 1989. This reverse flow of resources from

Africa to the IMF and the World Bank amounted to about US$1.0 billion in 1986 and 1987, US$1.2 billion in 1988 and US$1.5 billion in 1989. This activity has denied Africa the resources needed to finance the recovery and development. The future prospects for Africa will remain bleak for as long as the factors discussed above persist. And in the light of this, African countries will have to redefine the strategy for effectively resolving the crisis and promoting growth.

Towards African Recovery and Development.

The experience with SAPs across Africa (especially our case studies)has clearly shown that they are inappropriate to the African situation. The main lesson is that the process and direction of reforms need to change to give countries in the region the chance to rebuild their economies in a way that will meet the needs of their populations. The solution has to go beyond the current short-to-medium term SAPs which have concentrated on balancing the books. As we have argued in this study, the African crisis is fundamental and structural, and will therefore need a fundamental long-term strategy of structural transformation and development. The strategy must link the future growth and transformation of African economies to structural reforms in a way that SAP has not done.

It will mean that orthodox adjustment should be abandoned and reform measures be selectively implemented to the extent that they are appropriate to Africa's economic and social milieu. In addition, there is a need to concentrate on meeting domestic consumption needs in the most basic items, instead of the present strategy of outward-oriented growth. This in no way means that African countries should delink from the international economy. What it involves is the need to pay more attention to areas which the SAPs have neglected but are very necessary for the creation of an enabling environment for balanced domestic growth. The increasingly hostile international economic environment leaves Africa with no other choice but to address those fundamental and structural problems in the domestic sector which have inhibited transformation and development.

One area which should receive greater emphasis within this long-term strategy is the need to increase food production with the aim of attaining self-sufficiency. While SAPs have improved production of cash crops, food agriculture did not enjoy the same degree of support because of the emphasis on increased exports. The food crisis in Africa worsened in the 1980s with food output growing on average by a mere 1 per cent, and the number of severely hungry and undernourished people rising to well over 150 million from 80 million in the mid-1970s. This is a situation which can be reversed only by introducing policies which will make food production cheaper and profitable for the farmer as well as reforms in food related sectors. Thus, while adjustment-induced price incentives in agriculture should be retained, the removal of subsidies on agricultural inputs should be reversed. Instead,the small-and-medium-peasant sector should be modernised to include making technical inputs and knowledge as well as capital and credit easily accessible to farmers.

The specific measures required to modernise the small-and-medium peasant sector and raise food production have generally not been adopted by either Ghana or Nigeria. For instance, the producer prices of food crops did not rise significantly in these countries compared to the price rises witnessed in the cash crops sector. The emphasis on export-led growth induced higher price increases as well as expansion in the production of crops like cocoa in Ghana and Nigeria. As we have shown in our case studies, the food sector did not perform well enough. The strategy for the future must be to raise producer prices for food producers even if it means buying the surplus for the strategic storage. There should also be an expansion in the distribution of inputs to farmers at prices they can afford. In both Ghana and Nigeria, farm inputs remained very expensive under SAP as the reform measures induced price rises in the cost of inputs such as fertilizers, insecticides and machinary. As was shown in the case of Zimbabwe, there is need to raise the ratio of the price of food crops to fertilizer by up to 50 percent to guarantee increased output.(21) The distribution of fertilizers, insecticides, and farm equipment should also be widened to reach farmers in remote villages.

Another measure which needs to be taken is to increase the access of farmers to credit. The introduction of People's and Community banks in Nigeria by the government has already made some impact in the urban areas where they were first started. But there is a need toexpand their operations to the rural areas where 70 percent of the people live. In addition, the women need to be given priority of access to credit because of their marginal position in society even though they form the majority of farmers. The Better Life For Rural Women programme introduced in Nigeria under the adjustment programme is potentially viable if it is stripped of its bureaucratic overtones and left in the control of the women themselves. A general point to be made for all African countries is the need to encourage the people at the grass-roots to organise themselves and participate fully in the management of their affairs. The experience so far even in countries such as Nigeria where this has been attempted, this has merely tended to serve as a means of extending government control over the rural dwellers.

Other measures required to promote food security include reforms of the land tenure systems to ensure more equitable patterns of ownership. In this regard, the position of women in agriculture needs to be fundamentally reappraised with a view to redressing all the inequities and exploitation to which they are subjected. Even though women constitute the bulk of the labour force in the agricultural sector in Africa, they do not enjoy such rights as the ownership of land, control over the products of their labour, the freedom to acquire credit, and other forms of discrimination. As a result, agricultural production has suffered due to lack of incentives given to such an important section of the population. The strategy for the future must involve the release of the productive forces in the rural areas by giving the people greater freedom and control over their lives and their environment.

The food security problem has to be tackled also by redressing the population growth in Africa. Africa has the fastest population growth rate in the world, estimated to have grown from 257 million in 1960 to 628 million by mid-1989. Furthermore, about 45 per cent of Africa's population is under the age of 15. The socio-economic consequences of the population growth are serious especially in the lean economic environment existing today. The demand on resources is great, because even to maintain the very low standards of living at present, the region will have to attain an annual GNP growth of over 3 per cent. It also means producing enough food for an estimated additional 15-20 million people each year. Secondly, it requires that 200 million additional jobs be created, about 10 million annually between 1990 and the year 2000. Thirdly, primary and secondary education will have to be provided for about 137 million and 70 million respectively, by the year 2000. Other services such as water,housing, health care, transport, and the like, will have to be provided to the same degree; all these at a time when conditions are getting worse.(22)

Another element in the reform of agriculture in the long-term is the urgent need to shift emphasis to environmental management and sustainability. The environment in Africa has been deteriorating rapidly, as a result of drought, soil erosion, deforestation, desertification and other forms of degradation occasioned by forced migrations of victims of war, drought and famine. Desertification constitutes a major environmental threat in Africa, as it claims some 70 square kilometers of territory a year. Over two-thirds of the continent is arid or semi-arid, and around 40 countries face the constant threat of desertification and/or drought.(23) These conditions have been re-enforced by the impact of structural adjustment which has further weakened African countries and rendered them incapable of protecting the environment even if they wanted to.

The long-term strategy on the economy should be to break away from the inherited colonial economic structures. The SAPs have not altered these structures, instead they have been re-inforced. The African economy today is still characterised by lop-sided development with the predominance of commercial and traditional activities based mainly on imports and exports. Domestic production still plays a secondary role, and sharp contrasts still exist between urban and rural areas. There is a need to develop a mass internal market for basic goods, and forward and backward linkages within the national economy, particularly the links between industry and agriculture.

In this regard, a major lesson from the implementation of SAPs is that African countries are most unlikely to recover from this crisis or survive within their national boundaries. There is a growing awareness of the need by African countries to integrate their economies, especially their production structures and markets, at sub-regional levels. Even among the major external aid donors, there are calls for structural adjustment to incorporate a regional dimension and harmonise macro-economic and reform policies.(24) The fragmentation of the African product and factor market makes regional cooperation a necessity. Most of these countries have small markets, with 24 of them having a population of less than 5 million each and 11 of these have a population of less than 1 million each. Regional integration allows for economies of scale, internal competition between them to the beneficial effect of encouraging regional self-reliance, and limiting their external dependence. Also, the growing tendency towards regionalism in the world economy has rekindled interest and consensus on the issue in Africa.

In the export sector, there is also an urgent need for a change to policies of selective intervention rather than the neutrality of incentives adopted within the context of the SAP strategy of export-oriented growth. The experience of the export sector in the 1980s has been disappointing as reform measures harmed the export sector as well. The strategy in the long-term should be to diversify exports and focus on industries which are more likely to become internationally competitive. Diversification is the only way out for African countries because the demand for primary commodities will remain depressed in the 1990s. The factors responsible for this situation include technological advances and their increased efficiency in energy and raw material use per unit of manufactured output; the development of synthetics and substitutes; the recent concentration of growth in sectors such as services and electronics in the industrialised countries; and the declining role of comparative advantage in primary products. As a result of this,

> African countries need to develop new products, stimulate the processing of commodities, and increase their participation in, and returns from, the marketing and distribution of their exports.(25)

There is also a need to diversify African export trade in the long-term. At present there is a high degree of export dependence on particular markets. For instance, around 80 per cent of Sub-Sahara African agricultural and other natural resource product-based raw exports go to the EEC, the United States and Japan. Also, Africa is a major supplier to these markets only in a limited number of commodities such as cocoa beans, bauxite, refined copper, phosphate rock and preserved tropical fruits. This structure of export trade is harmful to African countries because it ties their progress to conditions in the three markets.

African countries must also lay emphasis on rebuilding their human resources if they are to recover from the current crisis. The society in Africa suffered the worst impact of structural adjustment because of the cuts carried out in social services such as health, education and the like. Despite the palliative measures taken to cushion the impact of the reforms on the people, conditions continued to deteriorate. The health delivery system is in the state of collapse in most countries as are the educational institutions. Not only did health care delivery and training deteriorate under SAP, the majority of the population became too poor to contribute to the recovery process. There was also a mass exodus of Africa's professionals to other parts of the world, thus creating serious manpower shortages. Since the development of a society depends partly on the quality of its human resources, there is an urgent need to reverse the process of decline. Even the World Bank has become active in getting African countries to rebuild their human resources. African countries will therefore need to increase spending in this in this sector in the long-term.

The socio-political environment also has to be transformed as part of the long-term process of recovery and development. The culture of imitation which has dominated Africa's drive to modernise must be discarded to make recovery and development possible. Unlike the experience in places such as Japan and South Korea which borrowed Western technology but rejected western culture, the African experience was to embark on the expensive process of copying western Europe with the aim of 'catching up' with it. The result has been the fetish for foreign experts, foreign models, standards, tastes, goods and values. This fostered the tendency towards consumption of what is not produced in Africa where it would have been better to follow the Asian example of self-reliant development. Furthermore, the cost of this policy to Africa can be seen in the financing of 80,000 expatriate advisers each year through technical assistance and the loss of some 70,000 of its trained and educated people to Europe between 1985-87. Part of the strategy of recovery and development must include the abandonment of this culture of imitation and dependence. This is an adjustment that has to be made internally rather than imposed from outside. Moreover, the process will also have to fully involve the people who are the custodians of culture.

The transformation of the political environment in Africa is imperative to the process of recovery. There is an urgent need for the political process and the institutions of state to be democratised to allow for the full participation of the people. For the three decades of independence, the political environment has been a constraint on development. The state is often alienated from the people and governments lack legitimacy. Most people see the state as an institution hostile to their interests, therefore, it has to be cheated, confronted and evaded through tax evasion, illegal activities such as smuggling and the like. The oppressive character of the state denied it legitimacy among the people. Yet it is clear that for the state to attain its goals of development, there is a need for a national consensus on the goals and purposes of development, and on how the costs as well as the benefits of development are to be shared.

The only way forward is by instituting democracy which enables the full participation of the people. This democratisation must give the power of decision-making at all levels of the society, to the people themselves. This participation in the political process must go beyond the simple act of voting. It means that dissent must become a welcome part of the political process and not merely tolerated. Political opposition must be seen as a right to be exercised by all. Other freedoms such as those of the press, speech, association, information and the like must be put in place. These freedoms have been the casualties of the political process, as people could often be sent to jail for using 'bad' language against their head of state, not to talk of openly discussing corruption. This situation must be reversed if people are to participate actively and meaningfully in the development process.

At the institutional level, a number of important changes are required in line with the need for greater democratisation. The rule of law should govern all conduct, of both the government and the governed in place of the arbitrariness that pervades all levels of government in Africa. Governments must also be made accountable and transparent in their activities. The judiciary must also be independent and honest enough to guarantee the rule of law. Other institutional reforms should include the destruction of the bureaucratic power of government officials to make them more service-oriented in their dealings with the people. Also, the responsibilities and functions of government bodies must be clearly stated and made easily enforceable to enable people to know what to expect of government and its institutions.

With regard to the economy, the state must continue to play a leading role in macro-economic management, and as a regulator and promoter of economic activity. In the African situation, the excessive use of market forces creates concentration of economic power in a few hands, widens the gap in income and wealth, resource under-utilisation and unemployment. It will mean as we have argued, the selective intervention of the state to promote growth, even if sometimes the state has to be an entrepreneur as well. Certainly, the state should create an enabling environment in which entrepreneurship in both the public and private sectors can flourish. However, the variation in local circumstances could decide the manner of state involvement in the economy, but it must continue to play an important role in the economy in Africa. Thus, the issue of privatisation of state-owned enterprises should be looked at without ideological bias. In most African countries where SAPs were implemented, there was usually the indiscriminate privatisation of even the most profitable state-owned companies. While some privatisation is necessary in those areas where the state is ill-equiped there are areas where state-ownership must remain. This is necessary so as to avoid turning public monopolies into private ones.

Another critical factor in the process of Africa's recovery and development in the long-term is the external support from the international development community. This external support is as important as the internal reforms which have to be carried out. This external support should involve the IMF, the World Bank and the western creditor nations abandoning their insistence that African countries continue to implement orthodox SAPs, almost as a matter of dogma. There is a need for them to support the integration of adjustment into the African position as set out in the African Alternative Framework of Structural Adjusment Programme(AAF-SAP). The experience of a decade of implementing orthodox structural adjustment and the mounting evidence of failure, clearly demonstrates the need for such an approach as it will also enjoy the input and support of Africans. The World Bank and the IMF have also accepted much of this while still remaining committed to the central goal of orthodox adjustment.

The most important area where this external support is required is the need to relieve Africa of the huge burden of debt, the need for a continuing flow of official concessional aid and, stopping the leakages of resources through capital flight. The debt burden which African countries have borne in the decade of economic reforms has severely weakened the foundations for their future growth. Basically, these countries had to forego investments in the development of infrastructure, maintenance and human resources, in order to service their debts. As Percy Mistry has observed:

> The economic structures of most debtor economies have not "adjusted" but been dangerously distorted to maximise foreign exchange earnings for debt service. In short, the prospects of future generations have been seriously compromised. Worst of all, the burden of "adjusting" to the crisis in almost every debtor country has fallen most heavily on those least able to cope(and least responsible for the crisis)- the poorest.(26)

It is within the power of the international community to deal with this debt burden because Africa's debt is owed mainly to governments and official agencies. The decision to relieve this burden is therefore a political one which can be taken by the Western governments if the political will is there. From the African position, the only way out of the debt crisis is for them to be written-off, as most of these countries could never possibly pay up their debts. So far, Africa's debt crisis has been handled in a piecemeal manner and in a way that does not offer a long-term solution. For a long time, the debt problem was tackled through a process of rescheduling agreed with the Paris Club of official creditors. Rescheduling is negotiated by each Club member individually with the debtor, with agreement being reached only upon the debtor's acceptance of IMF conditionalities.

In 1988 the G-7 introduced the concept of debt relief into the rescheduling process in the Toronto Accord. The Accord committed creditors to reduce the debt burden of the poorest countries either by cancelling a third of the debt service due, by setting lower interest rates, or by extending the period of repayment of rescheduled debt. Other measures to relief Africa's debt burden included the limited cancellation of debt undertaken by a number of Western countries. In all, the total amount of cancellations are put at about $3.5 billion or around 5 percent of the total outstanding debt of low-income Africa, between 1975 and June 1989.(27) However, this effort is very small relative to Africa's needs, and it did not result in the flow of new money to Africa even though this was what the region needs. Besides, Paris Club creditor such as the USA, Belgium, Holland and Spain have consistently adopted "the agreed option to extend maturities rather than reduce principal or interest rates".(28) There is also an urgent need for large amounts of aid for many years to come, and this can only come from official sources. By World Bank estimates, the need for official development assistance will rise from about US$15 billion in 1990 to $22 billion in the year 2000 without allowing for inflation.(29)

It is necessary for this high level of official development assistance to flow to Africa for a number of reasons. First, the region will remain unattractive to foreign investment to the magnitude required for a long time to come. Second, much of the public investment needed by these economies will not produce any short-term pay-offs to enable debts to be serviced, hence the need for highly concessional funds. Thirdly, there is the need to avoid a situation where the aid given creates more indebtedness. Finally, unless such a level of aid is supplied on grant or near-grant terms, the reform process in Africa as much as the economies, will be in real danger of collapse.

However, it is obvious by now that Africa cannot and should not be given a blank cheque or funds without conditions. Our discussion of the causes of the African crisis in chapter two clearly showed that some conditional grant of assistance will help resolve these problems. But such conditions must be constructive in the sense that they help to build up capabilities rather than weaken them, as we have seen with some of the reform measures in Ghana and Nigeria. Thus, aid should be given on the conditions that social and economic infrastructures are rehabilitated. African governments should also be helped to ensure greater democratisation, popular participation, efficient functioning of the institutions of the state, human rights and the rule of law, by making aid conditional upon these measures being taken. This will help create the stable conditions necessary to generate recovery and development. Unfortunately, however, given their record in the past, it is doubtful whether the Western donor countries will be more committed to persuading African governments to undertake greater democratisation in their countries.

Notes and References

1. Sir William Ryrie; "Financing Africa's Development", Paper presented at a conference on **The Prospects for Africa in the 1990s,** London, House of Commons, 6 June 1990, p. 5

2. It was this frustration which led the World Bank to significantly change its views, with the publication of a major study of the African situation in 1989. See, **Sub-Saharan Africa: From Crisis to Sustainable Growth,** Washington D.C., 1989.

3. See, The World Bank; **World Development Report 1990,** Oxford University Press, 1990 p.162.

4. **Ibid** p.164.

5. This is a point made by Sir William Ryrie, Executive Vice-President, International Financial Corporation. See, **Opcit** pp 10-17.

6. **Ibid**, p.5

7. See, The World Bank; **Sub-Saharan African: From Crisis to Sustainable Growth,** 1989, p.2-3.

8. **Ibid**, p.17

9. This point was made by Bade Onimode at a lecture delivered on 2,October 1990, at the Institute For African Alternatives, London.

10. This has been discussed in detail especially in chapters five and seven of this study.

11. See, **African Charter for Popular Participation in Development, E/ECA/ CM.16/11,** 1990 p.15-33.

12. See, Adebayo Adedeji; "Promoting African Recovery and Transformation", Statement to a conference on **The Prospects for Africa in the 1990s,** London, House of Commons, 6 June 1990,p.3.

13. This is a conclusion also reached by a former Senior Manager at the World Bank. See, Percy Mistry; **The Present Role of the World Bank in Africa,** (IFAA), 1989,p.18.

14. Salim Ahmed Salim; "Prospects for Economic Recovery And Political Democracy in Africa in the 1990s", presented at a conference on **The Prospects for Africa in the 1990s,** London, House of Commons, 6 June 1990, p.17.

15. See, **World Development Report 1990,** p.165. The geographic regions used here are as classified by the World Bank: "East Asia comprises all the low-income and middle-income economies of East and Southeast Asia and the Pacific, east of and including China and Thailand. South Asia comprises Bangladesh, Bhutan, India, Myanmar, Nepal, Pakistan, and Sri Lanka". p.xi.

16. The Report of the South Commission; **The Challenge to the South,** Oxford (Oxford University Press) 1990, p.243.

17. **Ibid**, p.250.

18. The figures are quoted in Bade Onimode; "Transcending the Politics of Adjustment" in Ben Turok (ed) **Alternative Strategies For Africa: Debt and Democracy vol.3,** London (IFAA) 1991, p.66.

19. See, Adedeji; **Opcit**, p.9.

20. Salim, **Opcit,** p.7.

21. The World Bank, 1989, **Opcit**, p.106.

22. **Ibid**, p.5

23. Adedeji, **Ibid**, p.6

24. The World Bank and the European Community have openly expressed their support for the idea of integrating African economies within the context of structural adjustment. See,for example, Dieter Frisch; "The European Community And Africa", 1990, p.16-17. Within Africa, the ECA, OAU and the African Development Bank also worked hard to get African countries to set up a continent-wide Common Market. This resulted in the signing of the Treaty of

Abuja by African leaders in Abuja, Nigeria, establishing the African Common Market, in June 1991.

25. Kenneth Dadzie; "African Trade in the 1990s", presented at a conference on **The Prospects for Africa in the 1990s,** London, House of Commons, 6 June 1990, p.5

26. Percy S. Mistry; "The Problem of 'Official' Debt,(draft) 1989, p.2

27. The Nordic countries took the lead in debt cancellation and were joined by Canada, Germany, the UK and France. **Ibid,** p.23.

28. Gerald K. Helleiner; "External Resource Flows To Sub-Saharan Africa in the 1990s". Background paper for North South Round table on 'Challenges of Africa in the 1990s', Ottawa, June 16-18, 1991, p.19.

29. Ryrie, **Opcit,** p.7

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APPENDIX A

ECA Classification of African countries
adopting IMF and World Bank-supported stabilization and structural adjustment programmes
(SAPs)

Country	Arrangement[1]	Starting year	Amount approved (million SDRs)
Burundi	SBA	1965	4.00
	SBA	1966	5.00
	SBA	1967	6.00
	SBA	1968	6.00
	SBA	1969	4.00
	SBA	1970	1.50
	SBA	1976	6.50
	SBA	1986	21.00
	SAL	1986	50.50
	SAA	1986	27.11
	SBA	1987	-
Chad	SAA	1987	19.43
Central African Republic	SBA	1980	4.00
	SBA	1981	10.40
	SBA	1983	18.00
	SBA	1984	15.00
	SBA	1985	15.00
	SAL	1985	30.00
	SBA	1986	-
	SAA	1987	-
	SBA	1987	8.00
Congo	SBA	1977	4.70
	SBA	1979	4.00
	SBA	1986	22.40
	SBA	1987	-
Côte d'Ivoire	EFF	1981	484.50
	SAL	1981	150.00
	SAL	1983	250.00
	SBA	1984	82.75
	SBA	1985	66.20
	SBA	1986	100.00
	SAL	1986	250.00
	SBA	1987	-
	SBA	1988	94.00

For footnote see end of table

ECA classification of African countries... (continued)

Country	Arrangement [1]	Starting year	Amount approved (million SDRs)
Egypt	SBA	1962	42.40
	SBA	1964	40.00
	SBA	1977	125.00
	EFF	1979	600.00
	SBA	1986	-
	SBA	1987	25.00
Equatorial Guinea	SBA	1980	5.50
	SBA	1985	9.20
	SAL	1986	-
	SBA	1986	-
	SAA	1988	11.68
Gabon	SBA	1978	15.00
	EFF	1980	34.00
	SBA	1986	98.69
Gambia	SBA	1977	2.53
	SBA	1979	1.60
	SBA	1982	16.90
	SBA	1984	12.83
	SBA	1986	5.13
	SAL	1986	21.00
	SAA	1986	10.86
	SBA	1987	-
	ESAA	1988	20.50
Ghana	SBA	1966	36.40
	SBA	1967	25.00
	SBA	1968	12.00
	SBA	1969	5.00
	SBA	1979	53.00
	SBA	1983	238.50
	SBA	1984	180.00
	SBA	1984	-
	SBA	1985	-
	SAL	1986	-
	SBA	1986	81.80
	SBA	1987	368.10
	SAL	1987	114.00
	ExtA	1987	245.40
	ESAA	1988	-

For footnote see end of table

ECA classification of African countries... (continued)

Country	Arrangement [1]	Starting year	Amount approved (million SDRs)
Guinea	SBA	1982	25.00
	SBA	1986	33.00
	SAL	1986	84.20
	SBA	1987	11.60
	SAA	1987	36.77
Guinea Bissau	SAL	1985	-
	SAL	1987	10.00
	SAA	1987	4.76
Kenya	EFF	1975	67.20
	SBA	1978	17.25
	SBA	1979	122.48
	SBA	1980	241.50
	SAL	1980	55.00
	SBA	1982	151.50
	SAL	1982	130.90
	SBA	1983	175.95
	SBA	1985	85.20
	SBA	1988	85.00
	SAA	1988	90.17
Liberia	SBA	1963	5.70
	SBA	1964	4.40
	SBA	1965	4.00
	SBA	1966	6.00
	SBA	1967	4.40
	SBA	1968	3.20
	SBA	1969	2.00
	SBA	1972	4.00
	SBA	1973	4.00
	SBA	1974	4.00
	SBA	1976	5.00
	SBA	1979	9.25
	SBA	1980	65.00
	SBA	1981	55.00
	SBA	1982	55.00
	SBA	1983	55.00
	SBA	1984	-
	SBA	1985	-

For footnote see end of table

ECA classification of African countries... (continued)

Country	Arrangement[1]	Starting year	Amount approved (million SDRs)
Madagascar	SBA	1977	9.43
	SBA	1980	10.00
	SBA	1981	76.70
	SBA	1982	51.00
	SBA	1984	33.00
	SBA	1985	29.50
	SBA	1986	30.00
	SBA	1987	-
	SAA	1987	42.16
	SBA	1988	13.30
Malawi	SBA	1979	26.34
	SBA	1980	49.88
	SAL	1981	45.00
	SBA	1982	22.00
	EFF	1983	100.00
	SAL	1983	55.00
	ExtA	1983	81.00
	EFF	1984	-
	EFF	1985	-
	SAL	1985	109.10
	EFF	1986	-
	SBA	1988	13.02
	ESAA	1988	55.8
Mali	SBA	1964	9.90
	SBA	1967	6.50
	SBA	1968	5.00
	SBA	1969	5.00
	SBA	1971	4.50
	SBA	1982	30.38
	SBA	1983	40.50
	SBA	1984	-
	SBA	1985	22.86
	SBA	1986	-
	SBA	1987	-
	SAL	1987	15.00
	SBA	1988	12.70
	SAA	1988	32.26

For footnote see end of table

ECA classification of African countries... (continued)

Country	Arrangement[1]	Starting year	Amount approved (million SDRs)
Mauritania	SBA	1977	4.71
	SBA	1980	29.70
	SBA	1981	26.00
	SBA	1985	12.00
	SAL	1985	-
	SBA	1986	12.00
	SAA	1986	21.53
	SBA	1987	10.00
Mauritius	SBA	1978	7.97
	SBA	1979	73.03
	SBA	1980	35.00
	SAL	1981	15.00
	SAL	1981	-
	SBA	1981	30.00
	SAL	1983	40.00
	SBA	1983	49.50
	SAL	1984	-
	SBA	1985	49.00
	SAL	1985	-
	SBA	1986	-
Morocco	EFF	1980	-
	SBA	1982	-
	SBA	1983	-
	SBA	1984	-
	SBA	1985	200.00
	SBA	1986	230.00
	SBA	1987	-
	SBA	1988	210.00
Mozambique	SAA	1987	38.74
Niger	SBA	1983	18.00
	SBA	1984	16.00
	SBA	1985	13.48
	SBA	1986	10.11
	SAL	1986	60.00
	SAA	1986	21.40
	ESAA	1988	50.55
Nigeria	SBA	1986	-
	SBA	1987	650.00

For footnote see end of table

ECA classification of African countries... (continued)

Country	Arrangement [1]	Starting year	Amount approved (million SDRs)
Rwanda	SBA	1966	5.00
	SBA	1967	2.00
	SBA	1968	3.00
	SBA	1969	2.00
	SBA	1979	5.00
Sao Tome and Principe	SAL	1986	-
Senegal	SBA	1979	10.50
	EFF	1980	184.80
	SAL	1980	60.00
	SBA	1981	63.00
	SBA	1982	47.25
	SBA	1983	63.00
	SBA	1985	76.60
	SBA	1986	34.00
	SAL	1986	71.00
	SAA	1986	54.04
	SBA	1987	21.28
	SAL	1987	45.00
	ESAA	1988	144.67
Sierra Leone	SBA	1966	7.50
	SBA	1968	3.60
	SBA	1969	3.50
	SBA	1977	9.02
	SBA	1979	17.00
	EFF	1981	163.70
	SBA	1984	50.20
	SBA	1986	23.16
	SAA	1986	36.77
	SBA	1987	-
Somalia	SBA	1964	4.70
	SBA	1965	5.60
	SBA	1966	2.80
	SBA	1967	5.00
	SBA	1968	7.00
	SBA	1969	6.00
	SBA	1970	3.98
	SBA	1980	11.50
	SBA	1981	43.13

For footnote see end of table

ECA classification of African countries... (continued)

Country	Arrangement [1]	Starting year	Amount approved (million SDRs)
Somalia (continued)	SBA	1982	60.00
	SBA	1985	22.10
	SBA	1986	-
	SAA	1987	28.07
	SBA	1987	33.15
Sudan	SBA	1966	28.50
	SBA	1967	10.00
	SBA	1968	12.00
	SBA	1972	40.00
	SBA	1973	24.00
	SBA	1974	24.00
	EFF	1979	427.00
	SBA	1982	198.00
	SBA	1983	170.00
	SBA	1984	90.00
	SBA	1985	-
Tanzania, United Republic of	SBA	1975	10.50
	SBA	1980	179.60
	SAA	1987	67.95
	SBA	1987	64.20
Togo	SBA	1979	15.00
	SBA	1981	47.50
	SBA	1983	21.38
	SAL	1983	40.00
	SBA	1984	-
	SBA	1985	15.36
	SAL	1985	67.80
	SBA	1986	23.04
	SAL	1986	-
	SBA	1987	-
	SBA	1988	13.00
	SAA	1988	24.38
Tunisia	SBA	1964	14.25
	SBA	1965	5.60
	SBA	1966	9.60
	SBA	1967	9.61
	SBA	1969	6.00
	SBA	1970	7.50

For footnote see end of table

ECA classification of African countries... (continued)

Country	Arrangement[1]	Starting year	Amount approved (million SDRs)
Tunisia (continued)	SBA	1986	103.65
	SBA	1987	-
	ExtA	1988	207.30
Uganda	SBA	1971	10.00
	SBA	1980	12.50
	SBA	1981	112.50
	SBA	1982	112.50
	SBA	1983	95.00
	SAA	1987	63.25
Zaire	SBA	1967	27.00
	SBA	1976	40.96
	SBA	1977	45.00
	SBA	1979	118.00
	EFF	1981	912.00
	SBA	1983	228.00
	SBA	1984	-
	SBA	1985	162.00
	SBA	1986	214.20
	SBA	1987	100.00
	SAL	1987	55.00
	SAA	1987	124.79
Zambia	SBA	1973	19.00
	SBA	1976	62.00
	SBA	1978	250.00
	EFF	1981	800.00
	SBA	1983	211.50
	SBA	1984	225.00
	SBA	1985	-
	SBA	1986	229.80
	SBA	1987	-
Zimbabwe	SBA	1981	37.50
	SBA	1983	300.00

Note:
EFF = Extended Fund Facility
ESAA = Enhanced Structural Adjustment Arrangements
ExtA = Extended Arrangements
SAA = Structural Adjustment Arrangements
SBA = Stand-by Arrangements
SAL = World Bank Structural Adjustment Loans
(which include IBRD or IDA loans for adjustment, the Special Facility for Africa and Special Joint Financing; but excludes Sectorial Adjustment Loans)

Source: Peter Korner et al, The IMF and the Debt Crisis; IMF Surveys; IMF Annual Reports; World Bank Directory of Structural Adjustment Loans and World Bank Annual Reports;
IMF, International Financial Statistics, Vol. XLII, Number 8, February 1989

APPENDIX B

Table 1.1 Selected Macroeconomic Indicators

Countries	Performance indicators: GDP per capita average annual growth (%) 1970-85	Growth rate of GDP (%) Annual average 1965-70	1970-75	1975-80	1980-86	1987 a	External shocks: Effect on income due to changes in terms of trade (GNY) Annual average (%) 1970 as base 1970-85	1966-70	1971-75	1976-80	1981-85	Investment Resour: Investment (GDI as % of GDP) Annual average 1966-70	1971-75	1976-80	1980-86	1987 a	Resource inflow (% of GDP) Annual average 1966-70	1971-75	1976-80	1980-86	1987 a	Savings: GDS (% of GDP) 1965	1986
1 Benin	.0.3	2.7	1.4	4.1	3.6	-2.1	-6.8	-0.7	-3.3	-8.4	-10.2	14.0	18.2	20.7	16.9	8.9	10.6	13.5	23.1	22.6	12.2	3	0
2 Botswana	9.2	10.0	18.3	12.4	11.9	..	..	..	..	..	..	29.0	49.9	38.5	33.9	..	34.8	25.8	18.3	12.2	..	-13	26
3 Burkina	0.8	2.9	3.1	3.6	2.5	..	-1.9	1.9	-1.4	-1.4	-3.3	11.9	27.3	24.8	20.0	..	11.3	22.3	27.8	28.3	..	4	-7
4 Burundi	2.1	7.3	0.7	4.9	2.3	1.8	-0.5	-2.7	-2.2	5.0	-4.3	6.9	5.5	12.5	16.7	19.8	1.9	5.6	6.9	12.3	12.8	4	9
5 Cameroon	4.6	1.5	4.4	10.9	8.2	-7.7	-1.7	-0.2	2.0	1.4	-8.8	14.3	19.4	21.7	24.4	27.9	1.1	2.8	4.7	-2.9	2.5	13	26
6 CAR	-0.7	3.4	2.2	0.9	1.1	2.7	-8.1	-2.0	-7.2	-8.2	-10.4	19.3	17.9	10.3	11.5	10.8	15.6	13.9	11.5	15.1	16.4	11	2
7 Chad	-0.7	1.4	0.9	-4.5	5.5	..	-1.4	0.7	1.8	-1.7	-4.7	17.2	14.9	19.3	8.5	..	6.2	10.7	18.9	12.1	..	6	..
8 Congo	4.3	5.3	8.1	5.2	5.1	..	-6.1	6.0	-1.2	-12.9	-5.4	28.5	32.4	29.3	39.3	..	24.3	17.9	12.9	3.4	..	5	30
9 Cote d'Ivoire	-0.1	9.1	6.4	7.7	-0.3	-2.4	4.8	-0.9	-2.5	18.1	-0.4	20.3	22.1	26.9	18.5	13.9	-8.8	-3.7	-0.3	-2.8	-5.2	29	22
10 Ethiopia	-0.4	3.8	2.8	3.0	0.8	8.1	-0.6	-0.1	-0.1	-1.2	-0.7	13.5	11.2	8.9	10.8	..	2.1	0.3	4.3	8.5	..	12	3
11 Gabon	3.3	5.6	18.1	0.4	1.5	-12.0	53.9	5.6	27.4	44.6	..	35.8	47.8	43.3	34.4	31.8	-0.7	-2.8	-16.1	-12.9	-2.8	37	19
12 Gambia	-0.1	4.5	8.1	3.5	1.1	..	-4.6	-4.1	-0.1	-5.3	-9.4	8.3	7.5	21.6	22.8	..	2.6	-0.2	19.3	20.1	..	..	..
13 Ghana	-1.7	3.0	0.0	1.0	0.7	..	0.3	1.7	-1.3	2.0	0.0	12.0	11.2	7.5	6.3	..	2.0	-0.7	0.7	1.2	..	8	8
14 Kenya	1.4	5.9	10.0	5.9	3.4	5.1	-4.7	-1.4	-3.4	-3.6	-8.2	20.5	23.2	25.3	24.4	24.7	-0.3	4.4	4.6	4.0	5.4	15	26
15 Lesotho	3.2	2.7	5.8	11.0	0.9	..	..	0.5	..	..	..	10.9	17.2	31.1	34.7	..	41.2	72.2	98.7	124.9	..	-26	-78
16 Liberia	-2.1	6.6	1.6	2.2	-1.3	..	16.7	0.0	12.8	34.4	6.2	19.4	21.9	30.3	14.1	..	-22.1	-14.4	2.8	-2.4	..	27	18
17 Madagascar	-2.1	4.7	0.7	1.5	-0.1	2.2	-4.7	-3.4	-1.5	-6.6	-7.1	15.4	14.5	17.9	15.7	14.6	3.5	4.3	8.7	8.4	5.6	4	10
18 Malawi	1.6	5.0	7.6	5.0	2.4	0.2	-6.4	-4.3	-1.1	-8.4	-11.0	18.2	25.4	29.1	18.3	12.3	14.6	12.9	13.1	5.5	2.3	0	7
19 Mali	0.5	3.3	3.5	5.5	0.4	3.9	-3.6	-1.0	-3.1	-3.4	-5.1	25.3	23.4	22.6	21.2	18.4	9.6	13.7	12.4	18.2	16.9	..	4
20 Mauritania	0.0	4.3	0.2	3.0	1.0	2.8	13.3	-2.5	16.8	15.4	10.3	21.4	22.5	34.8	30.8	20.5	-10.0	5.2	33.2	25.9	6.8	27	15
21 Mauritius	3.4	-0.3	6.9	4.3	4.4	5.7	6.7	-1.6	16.5	8.1	-3.3	12.6	21.2	28.9	20.6	23.0	1.0	-0.5	10.4	3.0	-6.5	13	25
22 Niger	-2.0	-0.4	-1.9	6.4	-2.6	-4.9	2.0	1.7	0.5	-1.3	7.2	8.5	12.6	23.9	18.3	9.1	6.1	9.2	9.9	8.3	4.9	3	7
23 Nigeria	1.5	7.1	7.7	4.2	-3.2	-4.4	51.8	0.9	31.5	60.6	73.9	16.3	22.0	28.0	17.4	15.9	1.8	-6.0	-1.7	1.1	-5.2	17	10
24 Rwanda	1.0	7.6	1.7	8.4	1.8	..	0.9	0.1	0.7	2.0	0.2	7.8	10.5	14.7	16.5	..	6.1	6.8	6.2	11.1	..	5	9
25 Senegal	0.1	2.0	2.5	1.3	3.2	4.3	-2.2	1.6	-1.0	-2.2	-3.9	12.4	18.4	16.3	15.3	14.1	4.6	6.6	10.6	14.0	6.5	8	6
26 Sierra Leone	0.7	5.1	2.4	1.8	0.4	..	-3.7	1.2	-1.8	-3.9	-6.0	14.2	14.0	12.8	12.6	..	2.9	8.5	8.4	7.4	..	9	8
27 Somalia	0.1	4.0	4.5	0.6	4.9	3.3	5.7	-1.4	0.6	9.9	7.8	11.9	17.9	20.1	13.8	28.8	7.1	12.3	17.6	16.0	38.5	8	-5
28 Sudan	-0.3	0.4	3.9	4.5	0.3	1.1	2.1	4.4	1.1	2.6	3.1	13.0	13.7	16.6	16.5	11.2	0.3	3.6	8.5	11.6	5.0	9	4
29 Swaziland	0.6	8.1	7.0	3.4	..	..	-6.0	-0.9	-4.5	1.5	-16.3	19.8	22.1	35.4	27.8	..	0.6	-14.6	16.2	28.9	..	..	..
30 Tanzania	-0.5	6.5	4.5	2.7	0.9	4.5	-1.2	1.4	-1.8	-0.3	-1.7	17.8	22.5	24.6	17.6	18.5	0.5	8.3	9.3	10.6	13.3	16	2
31 Togo	-0.3	6.7	3.7	5.1	-1.1	2.0	11.5	0.4	7.2	18.0	11.4	13.7	21.1	38.9	26.5	17.3	-0.3	3.7	20.0	12.2	10.8	17	13
32 Uganda	-3.6	5.4	-0.2	-4.7	0.7	4.0	0.0	0.0	0.0	0.0	0.0	13.1	10.5	7.5	13.8	12.0	-1.3	0.1	0.0	2.8	7.2	12	11
33 Zaire	-2.2	3.8	2.5	-1.5	1.0	2.7	-3.0	0.4	-1.5	-0.9	-7.0	10.5	16.3	14.1	13.5	11.9	-9.8	-2.4	1.1	1.0	4.3	30	13
34 Zambia	-1.8	1.6	2.5	0.4	-0.1	-0.2	-20.1	1.1	-12.8	-26.0	-25.6	29.3	35.8	21.9	16.8	10.2	-15.0	-1.0	-0.8	3.2	-0.7	40	13
35 Zimbabwe	1.7	9.2	4.9	1.0	2.6	0.0	-0.5	0.0	-1.1	0.1	-0.6	19.7	25.6	15.4	20.5	16.5	-0.4	-0.3	-1.3	2.5	-2.4	23	20
Total SSA	0.6	4.9	5.6	3.5	0.0	..	1.3	0.3	0.6	0.9	2.2	15.9	20.4	23.6	18.2	..	-0.6	-0.6	2.2	3.9	..	15	11
Less Nigeria	0.1	4.0	4.0	2.9	2.4	..	-0.6	0.0	-0.3	-0.3	-1.0	15.9	19.7	20.4	18.6	..	-1.1	2.4	5.2	5.4	..	..	..
Big Six	0.6	5.5	6.6	3.6	-1.6	-1.3	15.9	1.8	8.5	18.1	24.9	14.8	19.8	24.4	17.1	..	-1.4	-2.9	0.5	3.3	..	..	..
Adjusting countries	-0.6	3.8	4.5	3.1	1.4	1.6	-5.6	-0.1	-3.7	-4.4	-9.1	16.7	20.7	20.6	17.9	16.0	-6.2	0.4	3.8	4.5	1.0	..	..
South Asia	2.3	5.0	2.1	5.9	5.9	..	-2.0	-2.4	-1.5	-2.0	-2.6	14.9	11.9	16.6	17.8	..	..	..	..	..	..	..	..

Notes: Big Six includes Ethiopia, Kenya, Nigeria, Sudan, Tanzania, and Zaire. Adjusting countries are Cote d'Ivoire, Kenya, Malawi, Mauritius, Somalia, Sudan, Zaire, and Zambia. South Asia includes Bangladesh, Burma, Nepal, and Sri Lanka.

a. Preliminary estimates.

Sources: World Bank data files (values in US$), and World Development Report, 1988.

21-Oct 12:15

SOURCE: World Bank, "Beyond Adjustment: Toward Sustainable Growth with Equity in Sub-Saharan Africa", November 1988