

# africa's recovery in the 1990s

FROM STAGNATION AND ADJUSTMENT  
TO HUMAN DEVELOPMENT

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TO HUMAN DEVELOPMENT

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## SUMMARY

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*This summary is based on a book with the same title published by Macmillan Publishers in September, 1992. It is the result of a research project carried out over a three-year period and coordinated by the UNICEF International Child Development Centre in Florence, CODESRIA in Senegal and the Planning Office of UNICEF Headquarters, New York.*

*A special word of thanks is due to John de St. Jorre for drawing up the summary and to Anny Bremner for editing and preparing the publication.*

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## INTRODUCTION

For the last decade or so, sub-Saharan Africa\* has been caught in a downward spiral of economic and social decline. As Africa headed into the 1980s, a devastating combination of external and internal forces compounded the structural weaknesses of their economies, forcing many African governments to accept tough internationally-crafted remedies. At the same time, Africa's people struggled, with ingenuity and tenacity, to maintain hard-won advances in their living conditions and to counter the damaging social and economic effects of the crisis. As Africa moves into the 1990s, several points are clear: the externally-driven policies have failed, the crisis is deepening, and the human struggle is becoming more desperate.

The impact of the crisis has been felt by all of Africa's people, but the worst affected are the most vulnerable — the women and children. After two decades of remarkable if uneven progress, improvements in their welfare started to falter towards the end of the 1970s. During the 1980s, the condition of women, children and other vulnerable groups stagnated or even worsened as income per capita and investment rates declined, external resources remained scarce, and recurring droughts afflicted much of the continent. Political instability, civil wars, and the rapid spread of AIDS added to the toll of human suffering.

In response to the African crisis, the International Monetary Fund (IMF) and the World Bank became increasingly involved in the design of policy reforms and in mobilizing external resources in their support. In the early 1980s, the IMF led the way with programmes designed to stabilize the growing fiscal and external imbalances affecting most African economies. At a later stage, when it became apparent that the crisis had more profound origins, these policies gave way to more comprehensive "structural adjustment" packages, with the World Bank assuming the initiative.

These international institutions, however, came under increasing criticism as it became clear that the programmes were producing only modest results while often causing damaging social effects for large segments of the population. The ensuing debate led to a third phase of adjustment policies that evolved towards the end of the

*\* This publication deals only with sub-Saharan Africa but, in the interest of brevity, the term 'Africa' is used throughout.*



decade. The new thinking acknowledged the importance of social factors in what is now generally agreed should be a process of human-centred development and adjustment.

Since then, the crisis in Africa has deepened. Recent developments in several countries of the region, including Somalia and other parts of the Horn of Africa, starkly illustrate the enormity of human suffering caused by social, economic and political crisis. Nonetheless, some grounds for optimism are discernible. A new sense of realism permeates African leadership; Africans know that a fresh start is needed and are already taking action. Important political changes are sweeping through Africa driven by the popular belief that governments must be democratically elected, that they must govern in a more transparent manner, and that they must remain accountable to those who elect them. The growing democratization movement in Africa could make an important contribution towards framing domestic policies conducive to greater growth, equity and accountability.

The end of the Cold War and a less polarized world not so prone to conflict should bring a major peace dividend to the wealthy nations. This, in turn, would enable them to release Africa from its burden of debt that is currently draining the continent of \$10 billion a year.

African governments are making a fresh commitment to regional cooperation and integration; existing institutions are being re-examined and new ones considered. South Africa, the continent's most powerful state, is undergoing a painful but fundamental transformation from an apartheid oligarchy to a broad-based democracy. If that process stays on track, the new South Africa could bring a considerable 'peace dividend' not only to its inhabitants but also to the 100 million people of the sub-region.

Africa's myriad peoples, drawing on ancient traditions of community organization and cooperation as well as on new techniques and technology, have made progress in a number of areas. Food output has increased in some countries as a result of better incentives and improvements in agricultural practices and water conservation techniques. The microeconomic efficiency of industrial enterprises, which came through the crisis of the 1980s, has improved. There is also greater efficiency in education, an expansion of key health services such as child immunization, and growth in non-traditional agricultural exports.

Finally, the development debate of the 1980s, bitter though it often was, has not been in vain. Virtual universal agreement exists on the need to focus on long-term development and on the objectives of economic policies in Africa. A measure of consensus has also been reached on strategies and policies.

In order to put a halt to the debilitating drain, it is now important to move the debate on African development forward with realistic and constructive proposals for an alternative sustainable development strategy. The building blocks must be agriculture, exports and human development: three policy areas where major failures have been experienced in the past.

The new strategy should be more egalitarian and democratic than the policies adopted by most post-independence governments or currently favoured by the IMF and the World Bank. It will require strong, transparent and accountable government that enjoys a broad-based political legitimacy. The rise of reform movements in different parts of Africa provides hope that a suitable political environment will evolve.

In contrast with the past, the 'engine of growth' in the new strategy should be smallholder agriculture and small and medium-sized industries that have backward and forward linkages to it. Land and credit reforms, support for smallholders, price incentives and renewed efforts in research and development on traditional food-crops would be the main elements of a 'food-led' growth strategy. Other elements include: the promotion of rural industries; a major effort to redress the decline in human welfare and capabilities of the 1980s; an improvement in income distribution and the rationalization of consumption patterns; greater 'export substitution' through the promotion of non-traditional exports and regional import substitution; and action by the international community on debt relief, commodity agreements, increased aid and foreign investment.

This study begins with an overview of the unique set of factors which paved the way towards Africa's economic, social and political crisis of unprecedented and paralyzing proportions. A review of the programmes implemented — with little or no success — during the 1980s, mostly with International Monetary Fund (IMF) and World Bank assistance, to lift Africa out of the stranglehold of poverty points to the urgent need for an alternative development strategy. The last part of this publication examines the components of such a strategy, which will help lead this battered continent towards a healthier, stronger and truly independent future.







CHAPTER 1

## INDEPENDENT SUB-SAHARAN AFRICA: THE FIRST TWENTY YEARS

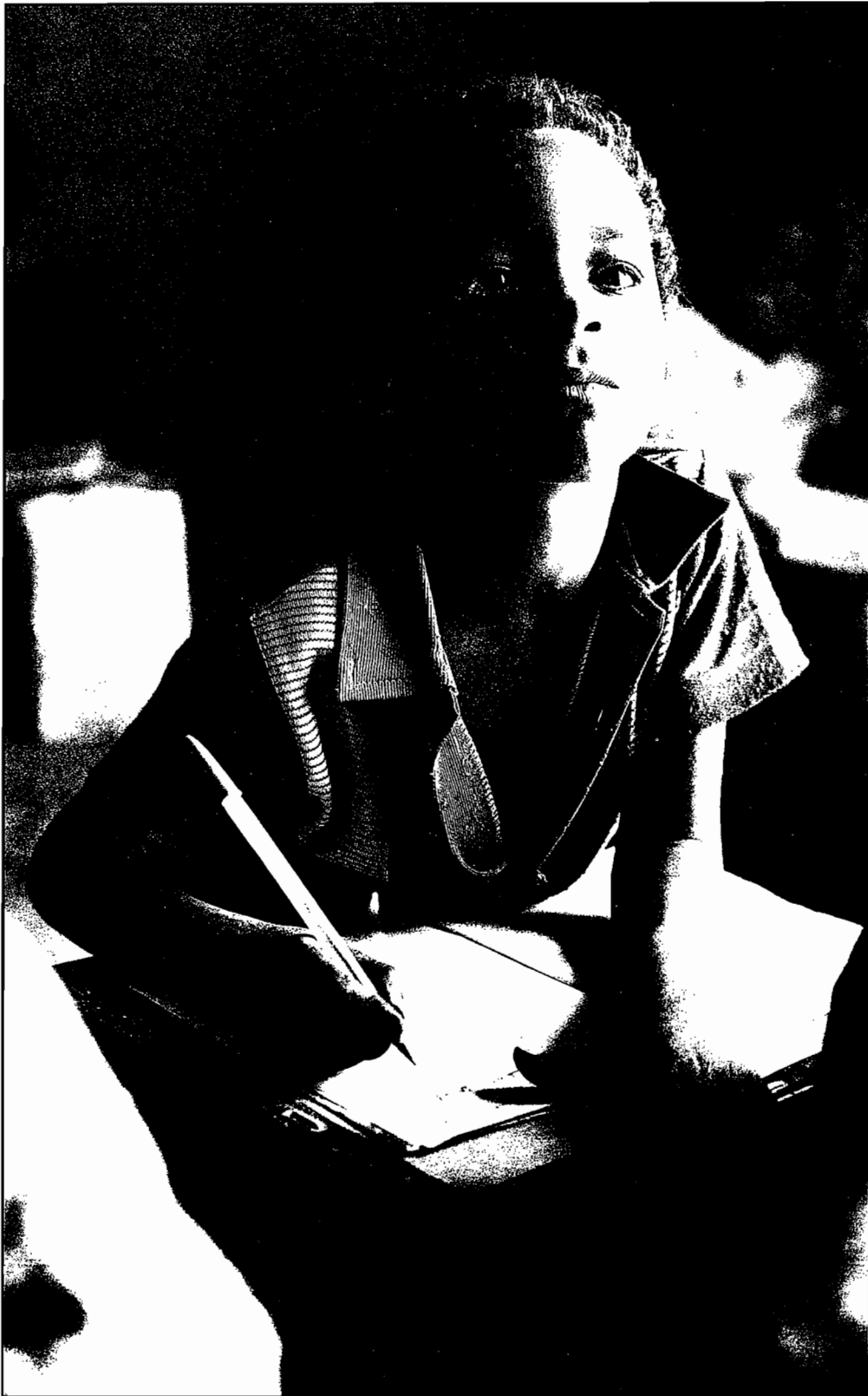
Contrary to much conventional thinking, the African economy performed relatively well during the 1960s and the first part of the 1970s. This occurred in spite of the deep distortions in production and trade structures that most countries inherited at independence. Gross domestic product and exports grew at comparable rates to those in the other main developing areas and more rapidly than those in South Asia (see Table 1). Manufacturing production rose steadily — albeit from low levels — in food processing, textiles, construction materials and other simple consumer goods; a significant mobilization of domestic savings took place that raised the overall investment ratio from 14 per cent in 1965 to 20 per cent in 1980; and some of the inequalities in income distribution inherited from the colonial era were reduced.

Most striking, however, was the massive expansion in education and health care across the continent. Under colonial rule, education and health services were concentrated in the urban areas and offered Africans limited access. In 1960, when many African countries became independent, primary school enrolment was 32 per cent in the former French territories, 40 per cent in the former British countries, and 50 per cent in the countries formerly under Belgian rule.

Secondary and tertiary education were even less developed. Although a few reputable universities and centres of learning had been established, there were only 1,200 university graduates, with virtually no women among them, in the whole of Africa at the time of independence.

Education under colonial rule was largely designed with the needs — and the prejudices — of the metropolitan powers in mind. Vocational training in agriculture, for example, was aimed at raising cash crop production, and was therefore of limited relevance to subsistence and small-scale producers. All teaching, except in the former Belgian colonies, was carried out in the languages of the imperial authorities.

Health services were similarly underdeveloped and distorted. Investment tended to be confined to the construction of hospitals in capital cities or in the regional centres. With only a handful of exceptions, the average number of people per doctor in the early 1960s varied from 12,000 to 75,000 compared to the South Asian average of 6,000.



*By any standard, Africa's progress in education and health care in the first two decades of independence was impressive.*

TABLE 1.

Selected macroeconomic indicators, sub-Saharan Africa and South Asia

*Average annual growth rates, 1965-80*

	Population		GDP		Agriculture		Manufacturing		Export	
	65-73	73-80	65-73	73-80	65-73	73-80	65-73	73-80	65-73	73-80
Sub-Saharan Africa										
Low-income	2.6	2.7	6.0	2.8	2.2	0.0	10.7	10.2	16.9	-0.6
Mid-income	2.8	3.3	5.2	1.4	2.2	-1.7	—	2.5	7.2	3.8
Total	2.6	2.8	5.9	2.5	2.2	-0.3	10.1	8.2	15.1	0.2
South Asia	2.4	2.4	3.7	4.3	3.4	2.4	4.1	5.2	-0.7	5.8

Source: World Bank, *Sub-Saharan Africa: From Crisis to Sustainable Growth*, Washington, DC, World Bank, 1989.

By any standard, Africa's progress in education and health care in the first two decades of independence was impressive. During this period, African governments consistently allocated a higher share of their GDP to education and health than in any other developing region except the Arab states. This resulted in a doubling of the average primary school enrolment ratio from 36 per cent in 1960 to 79 per cent in 1980. Similar improvements took place in secondary and tertiary education. From the meagre total of just over one thousand graduates in 1960, Africa was producing 70,600 graduates a year twenty years later. Educational design, curriculum, textbooks and teaching methods all underwent significant changes to make them more suitable to African conditions and needs.



Child mortality rates declined and life expectancy increased.

Equally, great progress was made with health care. Infectious diseases were targeted with large-scale programmes; hospitals, clinics and medical schools were built; and community health workers trained. As a result, child mortality rates declined and life expectancy increased.

The positive developments which came about during these first two decades did not, however, reduce the profound weaknesses inherited from the African economy at Independence. Apart from a very few exceptions, the economic structures remained broadly as dependent, vulnerable and monocultural in 1980 as they had been in 1960.

The performance of agricultural production, notably traditional foodcrops, was particularly poor. From the 1960s, output grew more slowly than the population growth rate, which soared from about 2.4 per cent during that decade to 2.9 per cent in the 1970s and then to the world's highest rate of 3.1 per cent in the 1980s. The weak performance of agriculture also accounted for the stagnation of agricultural exports in the second half of the 1970s, and was one of the main factors responsible for the rapid rise of Africa's long-term external debt.



CHAPTER 2

## THE NATURE AND IMPACT OF THE 1980s CRISIS

### CRISIS AND ADJUSTMENT

Twenty years of development thus failed to prepare Africa for a series of powerful external shocks that hit the world economy as a result of the second oil price rise and the ensuing recessions in the industrialized countries.

Four interlinked depressionary influences were involved. First, the volume of world trade, which had expanded at 5.7 per cent annually during the 1970s, virtually stagnated between 1981 and 1983. The demand for Africa's primary commodity products and fuel dropped as the economic growth rate of its trading partners fell, and remained depressed for the rest of the decade. Second, the sharp downturn in commodity prices and the increase in the prices of manufactured products brought a combined loss in Africa's international terms of trade amounting to a staggering 30 per cent between 1982 and 1990.

Third, nominal interest rates on foreign debt mushroomed to record high levels of 18-20 per cent during 1980-83, and have since dropped only marginally. Real interest rates declined even less. On average, international real interest rates, which had been 2.6 per cent in 1963-73 and 1.0 per cent during 1974-79, oscillated around 6 per cent between 1980 and 1989. This jump proved to be particularly damaging because of the debt-led growth of 1974-80 which made many African economies vulnerable to changes in interest rates and borrowing conditions on foreign debt. Fourth, due to the debt crisis of 1982, gross capital inflows declined sharply after 1983. Net capital flows dropped even more drastically, from \$10 billion in 1982 to about \$2.5 billion in 1985.

The cumulative result of these shocks in most African countries was felt most strongly in a rapid deceleration of growth and immediate adverse effects on inflation, the budget deficit and the current account balance. IMF-supported stabilization programmes were the first international response but when it became clear that the economic crisis had deeper roots, these efforts were complemented by numerous structural and sectoral programmes sponsored by the World Bank and the IMF.

These structural adjustment programmes — or SAPs, as they are often called —



became the central feature of economic policy-making in Africa during the 1980s. Most countries adopted a succession of them in collaboration with the World Bank and IMF. Between 1980 and 1989, 241 adjustment programmes were put in place by 36 countries in collaboration with the IMF and the World Bank (see Table 2). Only a few small countries such as Botswana, Cape Verde, Comoros, Djibouti and Swaziland did not undertake adjustment programmes with the assistance of the World

TABLE 2.

*Stabilization and structural adjustment programmes in sub-Saharan Africa (a)*

1980-9

	In Cooperation with the IMF			EFF	In Cooperation with the World Bank			Total	Year of First Programme in '80s
	SBA	SAF	ESAF		SAL	ER	SECAL		
Benin		1			1		1	3	1989
Burundi	1	1			2		1	5	1986
Cameroon		1			1			2	1988
C.A.R.*	6	1			2		1	10	1980
Chad		1					3	4	1987
Congo	2				1			3	1986
Côte d'Ivoire	5			1	3		3	12	1981
Eq. Guinea	2	1					1	4	1980
Ethiopia	1							1	1981
Gabon	2			1	1			4	1980
Gambia	1	1	1					3	1982
Ghana	3	1	1	1	2	1	4	13	1983
Guinea	3	1			2		1	7	1982
Guinea-Bissau					1	1		2	1981
Kenya	6	1	1		2		3	13	1980
Lesotho		1						1	1988
Liberia	5							5	1980
Madagascar	7	1	1				2	11	1980
Malawi	3		1	1	3		2	10	1980
Mali	4	1					3	8	1982
Mauritania	5	1	1		1		3	11	1980
Mauritius	5				8		1	14	1980
Mozambique		1	1			3		5	1987
Niger	4	1	1		1		1	8	1983
Nigeria	2						3	5	1983
Sao Tome		1			1	1		3	1985
Senegal	6	1	1	1	4		2	15	1980
Sierra Leone	3	1		1				5	1981
Somalia	5	1					2	8	1980
Sudan	3			1				4	1982
Tanzania	2	1					2	5	1980
Togo	7	1	1		3			12	1981
Uganda	4	1	1			2		8	1980
Zaire	6	1		1			2	10	1981
Zambia	3			1		1		5	1981
Zimbabwe	2							2	1981
<b>Total</b>	<b>108</b>	<b>24</b>	<b>11</b>	<b>9</b>	<b>39</b>	<b>9</b>	<b>41</b>	<b>241</b>	

(a) Legend:

SBA = Stand-By Arrangement;

SAF = Structural Adjustment Facility;

ESAF = Enhanced Structural Adjustment Facility;

EFF = Extended Fund Facility;

SAL = Structural Adjustment Loans/Credits;

ER = Economic Recovery/Rehabilitation;

SECAL = Sector Adjustment Loans.

\*C.A.R. = Central African Republic.

Source: IMF Survey (various), World Bank, *Report on Adjustment Lending II: Policies for the Recovery of Growth*, Washington, DC, World Bank, 1990.

Bank and the IMF in the 1980s. Some countries, such as Burkina Faso, devised and implemented their own programmes (see the case study on Burkina Faso, p. 33).

The SAPs have been the object of much controversy and a vast body of writing has been produced on them. The debate continues, but it is clear that they did not produce the results intended by their proponents. While it would be unfair and incorrect to blame the SAPs for Africa's poor performance in the 1980s, it is evident that, with few exceptions, they have not been able to solve Africa's old and new economic problems. This issue is examined in greater depth in chapter 4.

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## THE IMPACT ON STANDARDS OF LIVING

The crisis had its most dramatic and painful impact at the household level, a reality most clearly reflected in the level of incomes and in the delivery of public services.

### HOUSEHOLD INCOMES IN THE URBAN FORMAL SECTOR

Although many African governments had focused on industrialization in the post-independence era, formal sector wage employment amounted to less than 10 per cent of the region's 130 million strong labour force by the early 1980s. During that decade, the growth rate declined to 1 per cent, compared to 2.8 per cent in the late 1970s. In Tanzania, for instance, only 7,300 new jobs were created during 1986-87, although some 200,000 individuals were seeking wage employment every year.

In the industrial sector, which accounted for less than 20 per cent of the formal sector wage employment, growth came to a virtual standstill. In several cases, rapid import liberalization undermined potentially viable local industries. The result was the loss of many private sector jobs, notably as many as 6,000 in Senegal and hundreds in Ghana.

Public sector employment was also badly hit, with particularly damaging effects in the poorer countries where it accounted for a large share of the formal sector workforce. (In Benin, Gambia, Tanzania and Zambia three-quarters of the formal sector jobs were found in the public sector). Retrenchment initially strikes the lowest paid employees most heavily, and the highest proportion of these workers in Africa were women. Cutbacks in the public sector were not compensated by increased employment in the private sector, nor by special remedial programmes.

Real, non-agricultural average and minimum wages fell 25 per cent between 1980 and 1985 in two-thirds of the African countries for which data are available; and scattered evidence suggests that the situation worsened during the second half of the decade. The cut in real wages was designed to reduce labour costs, contain budget deficits and raise competitiveness, production and employment. But, in reality, it demoralized public employees, who increasingly diverted their energies to other income-generating activities, moved to the private sector, or emigrated adding to the growing African 'brain drain'.

## HOUSEHOLD INCOMES IN THE URBAN INFORMAL SECTOR

While the decline of employment and wages drove some families back to rural areas, the majority turned to the urban informal sector for survival. And most family members, including children, found themselves working longer hours. This sector, which in the early 1980s already accounted for 60 per cent of the urban labour force, expanded rapidly, fed by a continuing flow of rural migrants, the underemployed and unemployed from the formal sector, school drop-outs and school leavers. Seventy-five per cent of new entrants to the labour force joined the informal sector, which employed an additional six million new workers between 1980 and 1985.

The growth of the informal sector is a mixed blessing. While it provides a haven for survival and may have had a positive effect on growth through the substitution of its products for those formerly imported or manufactured by the formal sector, it also had some negative consequences. The dependence of many of its activities on the formal sector led to stagnation and inflationary pressures; the difficulties inherent in the taxation of the informal sector exacerbated the fiscal crisis in most African countries; and it probably contributed to greater income inequality in the urban sector.

## HOUSEHOLD INCOMES IN THE RURAL SECTOR

Structural adjustment programmes during the 1980s had somewhat different effects on incomes in the rural areas. With generally higher prices paid for agricultural products, average rural incomes declined less than those in the urban sectors. Food surplus farmers and large-scale commercial producers generally experienced increases in real household incomes. However, the austerity measures included in the adjustment programmes worked against rural producers, especially the small-scale farmers. These included tight and more expensive credit, cutbacks in public sector extension services, the withdrawal of subsidies on agricultural inputs, and the deterioration of roads and other infrastructure.

At the lowest end of the scale, the incomes of some of the landless may have benefited from a greater demand for rural labour but, in most cases, wages stagnated and purchasing power was reduced by higher food prices. Thus, while the 'rural-urban gap' has probably narrowed, it seems clear that the adjustment programmes intensified the inequality of incomes within both the rural and the urban sectors.

## FISCAL ADJUSTMENT AND THE PROVISION OF PUBLIC SERVICES

### *(i) Government expenditure*

With the onset of the crisis in the early 1980s, real government expenditures per capita stagnated or fell in most African countries. During the first half of the 1980s, these expenditures declined in two-thirds of the 19 African countries for which data are available. By 1987-89 the situation had improved a little but real per capita government expenditures remained below the 1980 level in nearly half the countries studied.

The pattern of expenditures also changed. Interest payments rose substantially during the decade in all countries except Ghana. Spending on health care, educa-

tion, economic services and infrastructure, all of which register high rates of social return and tend to benefit the poor more than other services do, was disproportionately cut between 1980-81 and 1985-87 (see Table 3). In many of the larger countries, such as Nigeria, Zaire and Zambia, the share of interest payments reached a huge 30 per cent of total government expenditures in 1985-87: an amount two to seven times greater than that allocated for health care and education combined.

The shift in government spending reflected a reduction in 'discretionary' expenditures — that is, government expenditures after interest payments — rather than a change in government priorities. Furthermore, the shrinkage in the shares allocated to education and health care was more pronounced for low-income than for middle-income countries.

## (ii) Primary and secondary education

While government spending on education rose rapidly in Africa during the 1960s and 1970s, it fell back from a per capita expenditure of \$33 in 1980 to less than half of that figure by 1988. There were, however, some exceptions, notably in Burkina Faso, where per capita expenditure on education almost doubled between 1980 and 1987, and in Zimbabwe and Niger.

TABLE 3.

*The allocation of central government expenditures by main sectors in selected sub-Saharan African countries  
1980-2 to 1985-7*

Country	Education		Health		Soc. Sec./Welf.		Defence		Interest		General/Adm.		Econ. Svcs	
	80-2	85-7	80-2	85-7	80-2	85-7	80-2	85-7	80-2	85-7	80-2	85-7	80-2	82-7
Botswana	20.3	18.1	5.7	6.1	0.9	3.0	8.3	8.8	2.3	4.0	19.4	16.8	28.8	26.4
Burkina Faso	15.7	16.9	6.1	5.6	6.6	8.3	17.5	20.0	2.7	9.0	17.0	12.6	18.7	6.8
Cameroon	10.0	13.0	3.8	4.0	—	—	6.5	8.8	0.9	3.9	21.9	20.6	14.4	33.8
Ethiopia	9.8	10.0	3.5	3.3	4.3	5.3	—	—	3.2	5.7	41.2	28.2	22.6	27.0
Gambia	15.0	9.2	7.6	5.4	—	—	—	—	2.7	12.2	30.4	16.3	38.2	37.3
Ghana	19.2	22.0	6.4	8.8	5.9	5.2	5.4	6.9	16.5	12.5	19.3	19.3	20.9	16.4
Kenya	20.0	21.5	7.7	6.4	0.2	0.1	13.5	9.0	9.1	16.9	10.0	10.6	23.9	21.8
Lesotho	13.1	15.5	4.9	6.9	—	—	—	—	5.5	6.9	—	—	35.9	33.1
Liberia	14.4	14.2	6.7	5.7	1.5	0.8	10.2	7.7	8.9	14.8	22.2	18.7	31.3	34.5
Madagascar	14.6	16.7	4.0	5.7	—	—	—	—	2.0	9.7	22.6	29.8	5.3	33.6
Malawi	11.5	10.7	5.3	6.4	—	—	9.6	5.8	12.3	19.0	14.9	17.1	38.5	33.6
Mali	13.1	9.4	3.5	2.2	3.1	4.1	9.8	8.2	0.9	3.8	14.6	10.4	8.0	14.8
Mauritius	16.0	13.5	7.2	7.7	17.6	15.4	1.3	0.8	16.2	20.0	17.2	13.2	11.6	16.8
Niger	14.2	11.6	3.4	3.6	—	—	3.6	3.7	5.4	12.9	14.7	12.3	15.0	6.3
Nigeria	7.0	5.5	2.1	1.9	—	—	8.6	6.4	6.0	28.8	15.4	12.3	53.2	34.2
Rwanda	18.5	15.7	3.7	3.2	—	—	11.4	8.8	2.0	3.9	16.1	13.4	26.2	13.7
Senegal	20.9	17.0	4.4	3.3	—	—	12.8	10.7	5.6	16.5	29.8	26.1	—	—
Sierra Leone	13.4	12.3	6.2	4.1	—	—	4.4	3.4	7.5	14.2	19.7	11.3	24.8	16.7
Somalia	6.2	1.7	2.3	0.7	—	—	19.2	8.0	—	—	35.1	16.6	11.1	5.3
Swaziland	21.2	21.5	6.6	8.1	—	—	7.0	5.5	1.9	6.4	20.3	20.9	28.5	31.3
Tanzania	13.0	8.3	5.8	5.7	1.0	0.5	10.7	15.8	7.3	10.2	23.0	34.0	37.7	27.5
Togo	19.8	14.9	5.7	4.2	8.9	7.6	7.2	8.5	8.2	15.5	14.5	13.9	23.7	28.8
Uganda	13.3	13.9	5.1	2.9	1.2	1.2	24.3	21.0	2.9	9.6	26.3	22.6	12.5	12.7
Zaire	18.5	2.0	2.8	3.5	—	—	6.8	3.7	10.0	35.6	18.9	10.3	15.4	4.5
Zambia	12.8	10.3	6.8	5.3	—	—	—	—	7.3	29.4	40.8	31.9	26.1	17.4
Zimbabwe	19.1	21.4	6.3	6.7	6.4	3.6	21.0	16.4	8.3	13.2	15.0	11.3	20.8	25.4
Average	15.0	13.3	5.1	4.9	4.8	4.6	10.4	8.9	6.2	13.4	21.6	18.0	23.7	22.3

Note: Rows do not add to 100 since values reflect per cent averages and omit 'other' sectoral expenditures and adjustments; all averages are unweighted.

Source: Various IMF, UNDP and World Bank publications.



*The rising costs of education and the need to work to contribute to the family's survival caused a drop in school enrolments.*

Several low-income countries reacted to the crisis by shifting their educational priorities from the tertiary to the primary level, thus lifting the average share of primary education expenditures from 40 per cent in 1980 to 46 per cent during the late 1980s. In contrast, middle-income countries' proportion of spending on primary education declined from 50 per cent to 42 per cent. This was because overall public expenditure was less affected by the crisis and because secondary enrolment traditionally accounted for a greater share of the total than in the poorer countries.

The quality of African education therefore declined during the 1980s as the number of teachers was reduced, salaries failed to keep up with inflation, and resources for infrastructure and maintenance dried up. At the same time, a growing share of educational costs were shifted to communities and households by the imposition of fees and the costs of building new schools and housing for teachers.

The rising costs of education and the need to work to contribute to the family's survival caused a drop in school enrolments. Limited prospects for formal sector employment, the deteriorating quality of teachers and the irrelevance of curriculums to informal sector jobs were also contributory factors to school drop-out levels. The annual rise in primary school enrolments slowed from nearly 10 per cent in the late 1970s to 1.6 per cent in the 1980s, while the school age population was growing at 3.2 per cent a year. This led to an unprecedented drop in the gross primary school enrolment rate in at least 20 countries.

The failure of foreign aid to fill the vacuum was particularly marked in primary education, where aid allocations did not increase substantially from the tiny 3.3 per cent of all bilateral and multilateral foreign assistance assigned to education between 1981 and 1983. This meant that donors were investing 500 times more per student in higher education than they were per pupil in primary schools.

### *(iii) Health care services*

By the end of the 1980s real per capita government spending on health had dropped below the 1980 level in 64 per cent of the countries for which data are available. While a number of countries tried to shift distorted spending priorities towards preventive care, the general squeeze on health resources and the persistent bias in favour of urban hospitals made it increasingly difficult for governments to fulfil their commitment to primary health care.

By the mid-to-late 1980s the share of wages in total health expenditure, as with education, had grown disproportionately. This had similar results, notably a broad deterioration in the quality and quantity of health care services and a marked reduction in the availability of drugs. Many African governments introduced various cost recovery schemes with mixed results. In several countries the introduction of fees led to a decline in the use of health services whereas in others, such as Benin and Guinea, the quality of services improved.

The role of foreign aid became increasingly important in the health field during the 1980s, especially as the donors began to finance recurrent expenditures. But donor intervention also brought with it an element of volatility because health service planning became subject to donor priorities. At a different level, massive international support and strong government commitment helped expand immunization



coverage for infants. Between 1981 and 1989, African vaccination coverage increased for DPT (the combined diphtheria, pertussis and tetanus vaccine) from 24 to 56 per cent, for polio from 18 to 55 per cent, for measles from 29 to 61 per cent, and for tuberculosis from 51 to 85 per cent.

## IMPACT ON HOUSEHOLDS

Changes in the welfare of the African population, particularly of children, during the economic crisis of the 1980s were reflected in nutritional status and in infant and child morbidity and mortality.

### *(i) Nutritional status*

Difficulties in much of Africa's foodcrop sector first became visible in the late 1960s. Since then, output has grown at a consistently slower rate than the population. At the same time, recurrent droughts and famines, compounded by civil unrest, have periodically overrun the land. These factors resulted in a decline in nutritional status, particularly among children.

By 1983-85 the average calorie availability per capita per day in Africa had fallen below the level achieved in 1969-71. Although food production recovered in later years, food security remained inadequate in most African countries. Families reacted to these trends by foraging for more food, undertaking urban farming and shifting food consumption to less expensive sources of nutrition per calorie. At the same time, however, the need for more women to work outside the home often reduced the number of meals per day in many households. Poor households in Tanzania, for example, cut the number of daily meals from three to two, and in Sierra Leone a quarter of the population was only eating one meal daily consisting mainly of rice. As a result, undernutrition in Africa is estimated to have risen from about 22 per cent in 1979-81 to 26 per cent in 1983-85.

The preliminary findings of the 2nd Report on the World Nutrition Situation confirm this trend. According to this study, the global prevalence of undernutrition among 0-4 year old children increased from 29.1 per cent to 30.8 per cent between 1980 and 1990, reversing the modest gains made between 1975 and 1980. The deterioration in nutritional status was particularly acute in Zambia, Niger, Togo and Madagascar. Improvements were recorded in Botswana, Zimbabwe and some other countries. All in all, the number of underweight children (0-4 years) increased from 21 million in 1980 to 30 million in 1990. During periods of severe food shortage, the number of children suffering from undernutrition rose dramatically.

### *(ii) Infant and child morbidity and mortality*

While the incidence of immuno-preventable diseases such as diphtheria, tetanus, polio, and measles probably decreased during the 1980s due to expanded vaccination coverage, other communicable diseases like yellow fever, malaria and chol-



*Africa's food crisis has occasionally reached famine proportions.*

era, which were believed to be under control, re-emerged. A malaria epidemic in the second part of the 1980s is thought to have killed as many as 100,000 people in Madagascar alone. In addition, AIDS reached epidemic proportions in many parts of Africa during these years. In 10 eastern and central African countries, for example, the disease is estimated to have affected 5 per cent of the population.

Little reliable information is available from censuses and other surveys on changes in infant and child mortality rates during the 1980s. Better vaccination coverage, the use of oral rehydration techniques and new community health initiatives probably had a positive impact on mortality. At the same time, developments such as the food crisis in the first half of the 1980s, protracted economic stagnation or decline, the deterioration in health services in many countries and the AIDS pandemic are likely to have had the opposite effect.

It is possible that these negative and positive developments had a compensating effect, thus leaving the infant mortality rate, on average, basically unchanged. A recent World Bank study, for instance, found no across-the-board increase in mortality. The change in IMR levels among groups showed a small improvement in the mortality rate in rural areas in comparison to an increase in IMR for the urban middle-income earners and the urban poor, with little overall effect at the national level.

## **IMPROVEMENTS AT THE GRASS-ROOTS LEVEL**

Not all of Africa marked time or slid backwards during the crisis. There were some exceptions, both in country and sectoral performances, providing a few flashes of light across a dark landscape that nonetheless illuminate the way ahead.

Botswana and Mauritius — admittedly small population countries — made significant economic and social progress with consistent growth and expanding health and education services. Zimbabwe, after a long and debilitating civil war, performed a near miracle in expanding all levels of education despite the slow and unstable growth prevailing during that period. The number of children enrolled in primary education increased by no less than 300 per cent in just five years (1979-84) to reach full coverage — the fastest increase recorded in history.

Progress was also registered in other sectors. Successful innovation and experimentation in agricultural techniques together with better incentives brought increased production and yields in Burkina Faso, Nigeria and Tanzania. A shift in income distribution and government expenditure between the relatively well-off urban sector and the neglected rural sector took place in Burkina Faso under the impetus of strong government leadership (see the Case Study on Burkina Faso and Tanzania, pp. 33, 37).

Furthermore, initiatives began to develop non-traditional exports, albeit from low levels, in several countries. Such initiatives, together with the immense courage and resilience of the African people and communities, meant that the deterioration in human indicators during the 1980s was not commensurate with the economic crisis of unprecedented proportions.



CHAPTER 3

## THE CAUSES OF THE 1980s CRISIS

In analysing the African crisis it is important to distinguish the effects of the post-independence policy mistakes from those caused by the deterioration in external conditions in the late 1970s and early 1980s (as discussed in chapter 2) and the internal problems that compounded the crisis. It is also important to establish whether adjustment policies have moderated or aggravated the crisis.

### POLICY MISTAKES (1960-80)

Four principal failures characterized this period. First and foremost was the neglect, growing differentiation and lack of modernization of agriculture, particularly of the vast subsistence sector. The problems of African agriculture became evident in the late 1960s. Since then production has grown more slowly than the population, occasionally leading to food crises of famine proportions. The reasons for poor performance are complex, and include adverse pricing policies and overvalued exchange rates.

Other factors, not normally raised in the debate about Africa's agricultural problems, had a negative influence on the food crisis. These include the growing social differentiation within the rural sector that rendered 15 per cent of rural households landless, another 20 per cent land deficient, and left even greater numbers totally input-deficient; rapid population growth that substantially altered farming systems, ecological balance and yields; and inadequate public expenditure in rural infrastructure and research and development.

The second mistake was the failure to modify the international trading position of Africa. Little appreciable change in the trade structure occurred during these two decades. Primary commodities, as a share of total exports, even grew a fraction — from 92 per cent in 1965 to 96 per cent in 1980. Only six African countries managed to boost manufacturing exports substantially, while oil exports became important for another five. Western Europe, Africa's traditional trading partner, continued to take about half of the region's exports.

Import-substituting industrialization was the main strategy adopted by most



*Africa's foreign debt (excluding Nigeria) rose from close to zero in 1960 to US\$ 37 billion in 1980.*

African countries to change the situation. But it failed because of lack of depth, excessive concentration on consumer goods, and virtually no promotion of capital or intermediate goods. The result was that imports of consumer goods decreased while intermediate and capital goods imports increased, thus precluding any savings in foreign exchange or an improvement in Africa's balance of payments. Lack of competition, furthermore, often led to the creation of inefficient industries.

The third setback was a major deterioration in the fiscal and foreign debt position that made Africa particularly vulnerable to the adverse developments in the international financial markets during the 1980s. Governments proved unable to manage commodity booms properly and made poor choices in their public spending priorities. After the first oil price shock in 1973, they also became euphoric about borrowing, often with the encouragement of the international financial institutions. The result was that Africa's foreign debt (excluding Nigeria) rose from close to zero in 1960 to \$5 billion — 18 per cent of GDP — in 1970, and then to \$37 billion — 38 per cent of GDP — in 1980. A further contributory factor was the lack of any serious attempt to diversify the tax base.

The fourth mistake was the failure to create an adequate human infrastructure, notwithstanding impressive improvements in education, health care and living conditions. This lack was felt in technical and scientific fields, in the management of the public sector, in food research, and in the inability to reduce high fertility rates or improve the health status of the population.



*The economic crisis during the 1980s was made worse by natural and man-made disasters - recurrent droughts, civil wars and political instability.*



## **INTERNAL FACTORS**

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The economic crisis during the 1980s was made worse by natural and man-made disasters, the most serious being recurrent droughts in different parts of the continent, civil wars and political instability, and the explosion of AIDS which reached epidemic proportions in several countries, notably Kenya, Uganda and Zambia. The plight of Somalia has forced the western world to open its eyes once more to the tragic repercussions of civil war compounded by cruelly adverse environmental conditions. While it is difficult to make a precise estimate of the losses brought about in many African countries by the harsh cumulative effects of these internal factors, particularly in terms of destruction of crops and infrastructure, labour productivity and additional health sector costs, they are undoubtedly substantial.

## **ADJUSTMENT POLICIES**

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Adjustment policies were introduced specifically to lift Africa out of the quagmire of detrimental policies and a deteriorating international economic environment. As such, they have raised as many hopes as criticisms. In view of their importance and the extensive debate surrounding them, they will be discussed separately in the next chapter.



## ASSESSING THE STABILIZATION-STRUCTURAL ADJUSTMENT EXPERIENCE

During the 1980s, stabilization and structural adjustment programmes became the central focus of economic policy-making on the continent. Yet by the end of the 1980s — the 'adjustment decade' — most African countries had experienced no significant changes in their traditional problems of overdependence on primary commodities, a stagnant or shrinking industrial base, and sluggish and highly unstable growth in the foodcrop sector.

Annual GDP growth averaged 2.1 per cent for Africa as a whole during the 1980s. Given an average population growth of 3.2 per cent, average per capita GDP dropped 1.1 per cent during the decade. Some temporary recovery occurred in the mid-1980s partly because of more favourable weather conditions, improved net financial flows into the region and, more debatably, the impact of the structural adjustment programmes themselves. Nevertheless, the GDP growth rate dropped again towards the end of the decade.

The most common criteria for judging the success of the IMF- and World Bank-driven programmes are the stabilization of macroeconomic imbalances, the removal of structural bottlenecks, economic growth and the protection of vulnerable groups. An analysis of the 24 countries which undertook these programmes and for which the relevant statistical information is readily available reveals an unsatisfactory pattern of results. Only Mauritius, a tiny Indian Ocean island state, achieved the four objectives of stabilization, structural adjustment, growth and protection of vulnerable groups. Another five countries — Guinea-Bissau, Mali, Mauritania, Senegal and Zambia — reached three of the four objectives, although Mali and Zambia paid a high price in terms of growth per capita GDP. Most countries met only one or two of the goals, with stabilization being the most frequent and growth and the removal of structural bottlenecks the least. Ethiopia, Somalia, Tanzania and Zaire did not achieve any of these criteria.

In the debate on the stabilization-adjustment experience, four potential causes for their limited impact have been suggested. First, it has been argued that programme implementation was inadequate. However, only 21 of the 241 total programmes were abandoned or terminated before completion, and two major World Bank evaluations of adjustment-lending found that 75 per cent of all programme

conditions had been fully or substantially implemented in Africa during the 1980s. Therefore, the inadequate results of these programmes are not likely to have been caused by poor implementation.

The second suggested cause was the negative influence of external factors. Commodity prices, for instance, fell steadily between 1982 and 1990, resulting in a decline in Africa's terms of trade of approximately 30 per cent. Drought, civil war and political instability also had a serious negative impact on the SAPs in countries like Ethiopia, Sudan and Uganda.

A third suggested cause was inadequate external financing. The huge loss in Africa's terms of trade was not matched by an increase in new financing, while the protracted deadlock on the foreign debt problem led to a massive drain of resources for debt servicing. In addition, as the net transfer of resources also decreased until the mid-1980s, the adjustment of Africa's balance of payments had to be achieved through a decline in the level of imports, even though the volume of exports rose by 23 per cent during the decade. It is beyond dispute that this 'import strangulation' had a depressive effect on growth and investment. By the end of the decade, the IMF and World Bank had also become net recipients of resources from Africa and thus found themselves in the anomalous position of undermining the financial viability of their own SAPs.

In response to the precipitating economic decline, in 1987 the World Bank launched the Special Programme of Assistance to ensure that the economic reform programmes of the poorest countries were adequately financed by a consortium of aid donors. During the first phase (1988-90), about \$18 billion of additional flows and debt relief to 23 low-income, debt-distressed African countries undertaking policy reform programmes were made available. Yet, despite these laudable efforts and an increase in the volume of exports of about 25 per cent over the 1980s, import capacity remained in 1990 below its 1980 level, largely because of the continual fall in Africa's international terms of trade.

Fourthly, the negative influence of declining commodity prices and, for many countries, inadequate external financing was compounded by inconsistencies in the design of the adjustment programmes themselves. For example, the emphasis placed by the SAPs on the expansion of Africa's traditional primary commodity exports, such as coffee, cocoa and sugar, reinforced a colonial pattern of export specialization and most likely contributed to the decline in the world price of such commodities. Similarly, as the adjustment policies neglected water conservation and irrigation and also removed fertilizer subsidies, it became even less likely that agriculture could be modernized.

Other policy contradictions stood out vividly in the expenditure cuts in areas essential for the development of physical capacity and human capabilities, and hence for growth. They also arose in the field of import liberalization. It was improbable that undifferentiated and sudden trade liberalization could lead to a build-up of industrial experience and the development of industrial exports. Similarly, the open-door policy towards foreign investment, accompanied by vigorous privatization, left little room for the development of domestic managerial capabilities.

It is clear therefore that the stabilization-adjustment strategy was often flawed by contradictory, incomplete and missing policies, which were incongruent with broadly accepted medium and long-term development policies in Africa. The World Bank's first *Review of Adjustment Lending* indeed noted that "inadequate



*The huge loss in Africa's terms of trade was not matched by an increase in new external financing.*

infrastructure, poorly developed markets, rudimentary industrial sectors, and severe institutional and managerial weaknesses in the public and private sectors have proved unexpectedly serious as constraints to better performance, especially in the poorer countries of sub-Saharan Africa”.

Several of the current policies therefore need amending if they are to support long-term requirements. The undifferentiated market does not generally lead to the development of potentially high-efficiency areas without special support and new institutions. In credit and foreign exchange allocation, a structured market is needed to ensure that adequate resources go to priority sectors. Present policies also neglect important areas such as land reform, regional trade and monetary arrangements, and special support measures for the small-scale sector.

It must, of course, be clearly stated that the stabilization-adjustment policies did not cause the African economic crisis, and they did achieve some limited progress in terms of stabilization and microeconomic efficiency. Yet, where some success was achieved — mainly in a few middle-income countries such as Cameroon and Mauritius — the lessons to be learnt are that investment in human capabilities, appropriate incentives, and successful efforts at mobilizing domestic and external resources do make a difference. The following case studies provide a sampling of the adjustment experience in three sub-Saharan African countries.

The SAPs were unable, however, to offset the negative trends in the international environment and to steer Africa towards sustainable long-term development. There is therefore an urgent need to move further towards a new adjustment and long-term development approach that will reconcile stabilization, growth, human development and political sustainability.

## **CASE STUDY**

# **BURKINA FASO (1983-89): A CASE OF SUCCESSFUL SELF- ADJUSTMENT**

A landlocked, predominantly agricultural and densely populated country of 8 million people facing severe ecological constraints, Burkina Faso — “the land of the incorruptible men” — is not unlike many other African nations. A major difference, however, was that until 1989 it chose to implement its own structural adjustment policies without the support or guidance of the World Bank and the IMF.

Under the leadership of Captain Thomas Sankara, the charismatic military officer who seized power in 1983, a three-pronged strategy — embracing stabilization measures, growth-oriented policies and human resource development — was adopted. Deliberate cost-reducing measures, which included the reduction of high-level wages and allowances, and measures to increase the tax ratio were introduced to maintain fiscal balance.

All three aspects of this strategy met with a large measure of success. Public expenditure was curbed, government revenue was diversified and boosted, the import bill was reduced and non-traditional exports expanded. Central to the strategy was the mobilization of public investment and community action to improve irrigation, while producer prices were increased for both food and cash crops. Major initiatives were also launched in urban land reform, education and health care, and to reduce the urban-rural inequities.

The gains of Burkina Faso's self-adjustment programme were significant. The growth of real GDP averaged 5.8 per cent a year between 1983 and 1989, considerably higher than the 3.8 per cent figure recorded for the period 1970-82 and the African average. Notwithstanding an accelerated population growth rate of around 2.7 per cent during this time, per capita GDP increased at an average of 3.1 per cent a year.

Agricultural production, both food and cash crops, advanced at a sustained rate. Greater cereal yields were helped by a number of indigenous technological changes encouraged by government and non-governmental organizations. Industry was also revived, albeit on a smaller scale, with the main effort concentrated in the public sector.

Human welfare and human capacity building improved markedly compared with the previous decade. In health care, the greatest advance was the mobilization of the rural population and an enormous expansion of health centres. The training of doctors and health workers also increased significantly. The success of these efforts was reflected in favourable trends in the mortality rate, life expectancy and underweight children. Progress was also made in education: the share of government spending on primary education



TABLE 4.

*The evolution of social indicators in Burkina Faso*

	1984-7			
Birth rate (per 1,000)	48.6	49.6	49.6	49.6
Death rate (per 1,000)	21.0	19.0	19.0	17.5
Life expectancy (years)	44.7	45.2	45.3	48.5
School enrolment rate	26.0	29.0	31.0	32.0
Food production index (1979-80 = 100)	96.1	114.3	124.0	122.0

Source: World Bank, *World Tables 1989-90 Edition*, Baltimore, John Hopkins Press, 1990

increased; the disproportionately high teachers' salaries were lowered; and primary and secondary school enrolment rates went up (see Table 4).

The principal thrust of the government's political and economic reforms was to produce a more equitable distribution of income and to narrow the urban-rural gap. By the end of the decade, agricultural incomes had risen more quickly than urban ones and the distribution of the benefits of public expenditure had been radically altered. While Burkina Faso remained in the ranks of the underdeveloped, the achievements of 'self-adjustment' were clear and far-reaching.

## **CASE STUDY**

### **NIGER (1982-89): STABILIZATION WITHOUT ADJUSTMENT**

In many respects, Niger was a classic example of the stabilization and adjustment experience of the 1980s because the policies adopted contained all the ingredients typical of recovery programmes supported by the IMF and the World Bank.

Stabilization involved the parsimonious management of public finances, including the introduction of cost-recovery measures, the elimination of fertilizer subsidies, restrictive monetary policies and steps to reduce the growth of the foreign debt. Supply-side policies were given less emphasis and suffered from internal inconsistencies.

The record was, at best, a mixed one. While macroeconomic balance was rapidly re-established, economic growth did not resume, the production of 'tradeables' declined, and there were no signs of appreciable change in the supply side of the economy. Furthermore, adjustment brought with it serious social repercussions.

Growth and stagnant economic structures failed to respond to successive adjustment programmes. While a slowdown in the growth of output in 1983 and 1984 was expected and unavoidable, per capita GDP continued to drop for the rest of the decade despite an increase in official development assistance (ODA).

Drought in 1987 and the weak uranium market contributed to this unsatisfactory performance, but adjustment had only a modest effect on supply responses and may even have had an adverse impact on agriculture. Production per capita in agriculture dropped by about 20 per cent during the decade. The cereal surpluses produced in the non-drought years up to the early 1980s disappeared, and were replaced by cereal imports that rose to account for almost a third of total imports. Adjustment did not encourage the production and export of new agricultural commodities, with the modest exception of cotton, nor did it lead to more exports of traditional commodities.

By 1989 the negative effects of adjustment on the well-being of the country's population had become so clear that the government launched a specific programme to alleviate the heavy social costs of the policy.

Although real per capita recurrent expenditure on health care remained broadly constant after 1982, allocations for medicines, maintenance, fuel and other consumables gradually fell. The slump in investment did not spare the health sector, as the fall in construction of new facilities between 1984 and 1989 demonstrated. The number of inhabitants per health care unit or rural dispensary rose significantly due to population growth and the slow-

down in health expenditure; the strong bias towards urban areas remained; and utilization of health care services, both for curative and preventive services in urban and rural areas, declined.

In education the share of expenditure devoted to the primary sector grew steadily from 33 per cent in 1981 to 44 per cent in 1989, while that assigned to higher education dropped from 22 per cent to 12 per cent. Nevertheless, primary school enrolment rates, already low even by African standards, shrank from 28 per cent in 1983 to 21 per cent in 1988, and the attrition rate continued at a high level. While no simple explanation exists, it is possible that increased costs to families for school fees and supplies together with the need for children to supplement falling family incomes were responsible for the decline in the demand for primary education.

Despite the introduction of policies aiming to protect social services, the overall level of satisfaction of basic needs declined during this period, while the entrenched urban bias in the provision of health care and education was not reduced. Efforts to protect the vulnerable were mainly unsuccessful because some positive policies were more than offset by the negative effects of macroeconomic policies, as in the case of the reallocation of resources towards primary education. A further contributory factor was the poor design of some policies, as with some cost-recovery measures for health care. Others were unsuccessful due to their lack of relevance, as in the case of agriculture.

## **CASE STUDY**

### **TANZANIA (1981-89): STRUGGLING TOWARDS ADJUSTMENT**

Three successive generations of adjustment policies, aimed at restoring macroeconomic balance and stimulating growth, were introduced in Tanzania as a response to the growing deterioration in the external and fiscal accounts and to the sharp decline in growth affecting the country since the late 1970s. The National Economic Survival Programme (NESP), which ran from 1981 to 1982, was implemented without financial support from the IMF or the World Bank. Another government initiative followed, the Structural Adjustment Programme (SAP) of 1982-86. This, in turn, was succeeded by the Economic Recovery Programme (ERP) from 1986 to 1989, which received strong support from the IMF, World Bank and bilateral donors.

The NESP attempted to re-establish macroeconomic balance through public sector action and supply incentives, rather than through demand management. It was short-lived and largely ineffective. It had been a political compromise and there was apparently little discussion about it, even among policy makers themselves. It represented an unfeasible strategy to achieve unrealistic targets, and most variables, such as exports and industrial output, moved in the opposite direction to the ones projected.

With the SAP, the government gradually moved towards a more orthodox programme, which nevertheless failed to rally the support of the IMF because of continuous disagreement over devaluation. It was generally accepted that the targets of SAP were not achieved because the government did not go far enough. Despite policy-induced increases in nominal producer prices, real producer prices for both food and export crops declined further as a result of continued high inflation rates and the fact that the boost to nominal prices was only moderate. Actual imports were only 66 per cent of the SAP target. Due to this poor performance and shortfalls in external resource inflows, imports reached only 64 per cent of projected levels, and arrears rose by \$650 million during the period. GDP growth stagnated at around 1 per cent. There was a reluctance to use devaluation actively, and the programme was hampered by the failure to come to terms with structural rigidities.

ERP, the third programme in the 1980s, was an intensification of the previous two. It included more drastic measures on demand management, devaluation and removal of non-price constraints. At the same time, it responded to the immediate pressures for economic rehabilitation and the mobilization of external credits, including those from the IMF and the World Bank. Its full impact remains unclear, but some positive results can be identified. ERP was the most successful of Tanzania's adjustment endeavours since it mobilized additional

external resources, making it possible to raise import levels and thus to recover positive GDP growth rates. (GDP rose at around 4 per cent annually in real terms between 1986 and 1988, the highest growth rate of the 1980s.)

In terms of stabilization, however, ERP achieved only modest results. Inflation remained high, the budget deficit did not fall, and payment arrears and total outstanding debt swelled out of proportion. In this way, ERP revealed once more the contradictions between the need to stabilize the economy — a need that requires the curtailment of credit and the money supply — and the goal of recovering positive growth rates in output, which entails the opposite approach in precisely those areas.

There are no signs either that ERP helped remove the structural bottlenecks that have made the Tanzanian economy so vulnerable from the balance of payments perspective. Some aspects of this and other adjustment programmes, such as the overemphasis on primary commodity exports, may have rendered these bottlenecks even more difficult to remove. In general, ERP relied on orthodox short-term macroeconomic measures, with little attention focused on the need for changes in output and export structure or on the removal of infrastructural deficiencies. Therefore, ERP cannot be considered truly 'structural' (see Table 5).

The impact of these three programmes on human well-being was severe. While urban real per capita income declined sharply, average farm incomes were less affected. This had the effect of substantially reducing the income gap between urban wage earners and rural smallholders. Although not all farm households improved their position in absolute terms, subsistence production rendered them less vulnerable to the economic shocks than the average urban wage earner.

The adjustment measures of the 1980s involved restrictive fiscal policies that made it impossible to sustain the level of resources allocated to health care and education. Although the share of education in total expenditure fell only marginally, from 12.4 per cent in 1978-79 to 10 per cent in 1988-89, and that of health care remained stable at 6 per cent, real absolute per capita expenditure in these two sectors plummeted by 57 per cent and 46 per cent respectively. Therefore, education and health care networks, which had been expanded considerably in the previous two decades, suffered severely in the 1980s, as is graphically indicated by the drop in the primary gross enrolment ratio from 90 per cent to 60 per cent over the 1982-88 period.

TABLE 5.

*Recent economic trends: Some indicators in Tanzania  
1978-88*

	Percentage Growth Rate 1976 prices			Annual Inflation Rate (%) (1977 = 100)	Overall Government Budget Deficit (% of GDP)	Terms of Trade (1980 = 100)
	Overall GDP	Agriculture	Manufacturing			
1978	1.1	-0.3	-1.5	19.8	6.6	108
1979	1.9	0.1	0.1	13.3	19.1	97
1980	2.5	1.0	1.2	36.0	17.8	100
1981	1.8	1.0	-3.3	22.7	13.8	91
1982	1.8	1.1	-3.3	32.6	14.1	89
1983	1.2	0.8	-4.1	19.2	15.5	90
1984	1.3	0.6	-3.2	44.0	11.2	93
1985	1.4	0.3	-3.3	29.2	11.5	89
1986	3.8	3.3	-6.7	33.2	16.8	100
1987	3.9	4.4	4.2	22.9	15.7	72
1988	4.1	4.5	5.4	28.2	17.6	—

Source: Compiled from various national sources.



## AN ALTERNATIVE SUSTAINABLE DEVELOPMENT STRATEGY

The previous discussion has unambiguously underscored that neither the development policies followed in the 1960s and 1970s nor the orthodox adjustment programmes pursued in the 1980s were able to lift the African economy out of the deep-seated crisis and steer it towards a desirable long-term development path. A new and sustainable approach to development is therefore necessary.

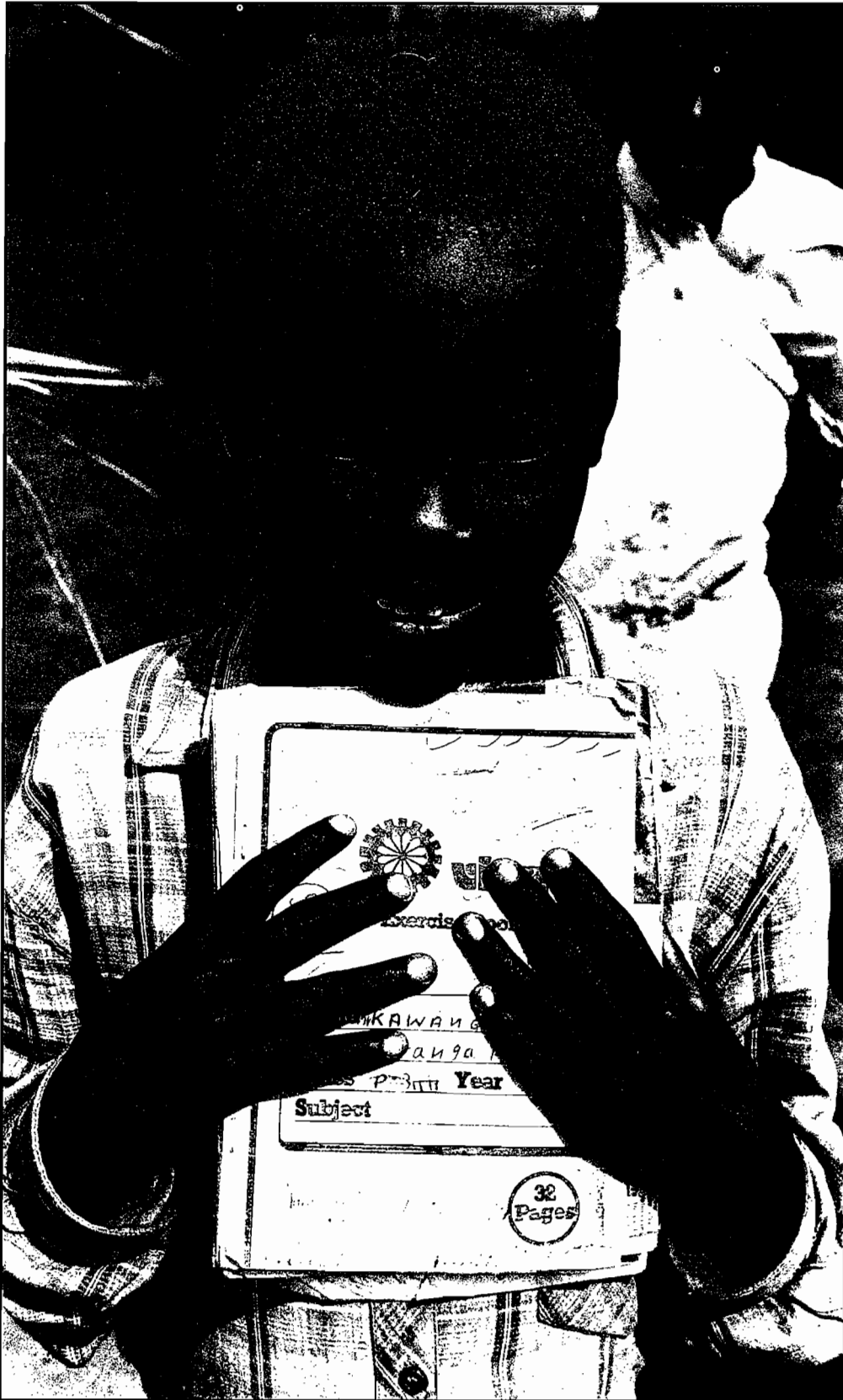
A new approach requires clarification of the development objectives and a long-term development strategy to reach those objectives. Short-term management policies consistent with the long-term strategy need to be defined and, finally, the necessary national and international support required and the political preconditions needed to implement the strategy must be identified.

### DEVELOPMENT OBJECTIVES

Substantial agreement exists on the long-term development objectives of Africa. The consensus is probably best reflected in the Lagos Plan of Action, devised and endorsed by the Organization of African Unity in 1980. The Plan advocated:

- ▶ reducing mass poverty and improving the living standards of the population;
- ▶ attaining greater food self-sufficiency;
- ▶ promoting self-sustained development through structural changes in patterns of production, consumption and foreign trade and in the area of technological dependence;
- ▶ achieving collective self-reliance through a better integration of African production structures, markets and transport, as well as communication and trade infrastructures.

These objectives have been endorsed by the Economic Commission for Africa in its *African Alternative Framework to Structural Adjustment Programmes* (AAF-SAP), by the World Bank (especially the first three items) in its *Long Term Perspective Study on Africa*, by several UN agencies, as well as by much of the development literature on Africa.



*A new development strategy for Africa must be 'human-centred'.*

There is, however, less consensus on the strategy to be followed. Development strategies for Africa have been plentiful and it is not the intention here to offer an entirely 'new' strategy. The aim instead is to suggest a viable and consistent alternative for the 1990s that builds on the lessons of the development debate of the past three decades. Three main conclusions have emerged from this lively, often heated, debate, namely:

- the persistent failure to achieve significant modification in production and trade structures and in modernizing food production, particularly for indigenous food crops;
- the persistent vulnerability of growth from the balance of payments perspective and the related need to increase non-traditional exports;
- the neglect of the human factor in development, with a consequent aggravation of the problems of employment, poverty and welfare in the 1980s.

The approach proposed for an alternative development strategy for Africa in the 1990s therefore combines a number of theoretical considerations that are already well-known. First, the strategy must be 'human-centred'. This means bringing together long-term concerns for institutional change, income distribution and broad-based employment-intensive growth with the short-to-medium-term emphasis of 'adjustment with a human face' for a non-deflationary and equitable approach to macroeconomic stabilization.

In contrast with past development policies, the 'engine of growth' in the new strategy will be smallholder agriculture and the small and medium-sized industries that have backward and forward linkages with it. This will involve substantial redistribution in favour of small-scale farmers and informal sector industrial producers in the ownership of productive assets — notably land — as well as in access to credit, foreign exchange, schooling and training, and support services in agriculture and industry. This strategy, widely applied in South-East Asia and in parts of Africa, has proved its superiority both in terms of efficiency and equity.

Second, there must be an emphasis on structural changes, particularly the modernization of the foodcrop sector and the widening of the manufacturing base. Balanced growth and long-term balance of payments stabilization cannot be achieved without these changes. Finally, the widely accepted need for greater export substitution and regional import substitution should be incorporated into the strategy.

What then are the main components of such a strategy that would achieve long-term, sustainable growth in Africa? Six elements are indispensable for success.

## **AGRICULTURE**

The neglect of agriculture was probably the single most serious policy mistake of the last three decades in Africa. Land scarcity, land concentration and the proletarianization of rural labour affect a significant proportion of Africa's population in a large number of countries, particularly those in East Africa, coastal West Africa and



the Sahel. Fifteen percent of the agricultural labour force is currently landless, while another 20 per cent is near-landless.

To put things right, a new agrarian strategy should be focused on small farmers and women. In countries with inadequate access to the land, this would entail a land reform policy that redistributes surplus land in the plantation, parastatal and large farm sectors to the landless and to land-deficient farmers, particularly to female-headed rural households.

In both land-poor and land-rich countries, the strategy would require improved access to inputs, credit and improved seeds for the mass of the poor farmers. It would also involve increased investment and human capital formulation, and better and more stable prices for both food and cash crops.

One of the major benefits of land reform and support for smallholders will be the reduction of food imports to rural areas in the short term and to the whole economy in the medium term. This is particularly important because food imports account for 10-12 per cent of Africa's total imports and about 40 per cent of its trade deficit.

## **AGRICULTURAL AND NON-AGRICULTURAL LINKAGES**

These linkages need to be strengthened by the development of adequate physical and social infrastructure, notably through the enhancement of rural roads and, when feasible, railroads, the extension of electrical networks and the construction of market-places and food silos. A more rapid, input-intensive and egalitarian pattern of agricultural growth, and the establishment of labour-intensive industries, such as food processing and construction materials, for the transformation of local raw materials catering to local needs, will also contribute to the strengthening of agricultural and non-agricultural linkages.

## **INDUSTRIALIZATION**

An industrialization strategy based on small-scale and labour-intensive producers is also critical. Measures to make this effective include a special role for the informal sector (with stronger links between this sector and the formal public and private sectors), the rebuilding of rural industries, and the creation of a more competitive climate for large-scale industries. The relatively low wages prevailing in most African countries should facilitate the development of labour-intensive exports, as the case of Mauritius has shown.

## **DEVELOPMENT OF HUMAN CAPABILITIES**

A key element of the new strategy is a major effort to increase human capabilities. Progress in public health, water supply, basic education and vocational training can substantially facilitate the switch to an efficient smallholder's agriculture and the



*A new agrarian strategy should be focused on small farmers and women.*

build-up of much needed industrial skills. Similarly, progress in female literacy, health and nutrition have been shown to improve health conditions, reduce child mortality and slow the present worrying rate of population growth.

In view of the magnitude of this effort, a greatly increased flow of financial resources will be needed. This will necessitate reducing government expenditures on defence, interest payments and subsidies to loss-making public enterprises. If these expenditures were cut by half, for instance, it would allow an increase in the share of social service activities from the present regional average of 22-23 per cent to an impressive 33-35 per cent. The reform of social services, enhanced efficiency and distribution, and greater administrative decentralization and community participation are also necessary.

## **INCOME DISTRIBUTION AND CONSUMPTION PATTERNS**

Greater income equality is a cornerstone of the strategy. This can be achieved by a better distribution of assets, a more effective integration of the various sectors of the economy, a reduction of the bimodal production patterns existing in agriculture and industry and by selected income-support programmes. The experience of other developing countries that adopted these policies in their earlier stages of development, such as South Korea, Sri Lanka, Taiwan and Thailand, confirm that a high degree of utilization of productive resources, low income inequality, fast growth and the ability to weather external shocks can be achieved through this approach.

Progress towards a more equitable primary income distribution can thus be achieved by providing equal access to factors of production and to productivity-enhancing techniques. While the scope for changing secondary income distribution in the short term through tax and expenditures policies is limited, more latitude exists for progressive taxes on consumption goods and other types of taxes, such as on wealth and land, and for increasing utility charges in a distributionally progressive manner.

## **TRADE POLICIES**

These should support necessary structural changes without forcing them to occur. There is a need for policies that will reduce dependence on food imports, support the production of small-scale farms and labour-intensive industries, and provide a stimulus for the diversification of exports. Protection and import restrictions in genuine 'infant industry' sectors will be required. These, however, should be temporary and applied to specific sectors rather than individual firms, otherwise the competitive environment will be weakened.

The creation of a regional market is vital because it would provide an enormous stimulus to African exports. By applying regional and temporary — rather than national and permanent — import protection, competition will increase, resulting in more efficient production and lower monopoly rents.

Export substitution should be strengthened. When some industrial capacity has been created, competition on foreign markets should be encouraged through, for



*Agricultural and non-agricultural linkages need to be strengthened, by facilitating commercialization of indigenous food products in urban areas.*

example, the imposition of export quotas on major domestic or regional producers. This may mean that continued support for regional import substitution could be combined with precise requirements to export out of Africa a growing proportion of the total output.

Exchange rate policies can be a major element in the promotion of export substitution, although they cannot achieve this objective alone. In the East Asian countries, where trade gained from devaluation, the way was paved for improvements in exports by prior or concurrent public investment in human capabilities and collective infrastructure, and by a viable income distribution structure.



CHAPTER 6

## THE ROLE OF THE INTERNATIONAL COMMUNITY

The policies outlined above will mobilize substantially greater resources within Africa, but they will not alone be sufficient. Additional external support and resources will be needed to achieve Africa's development goals.

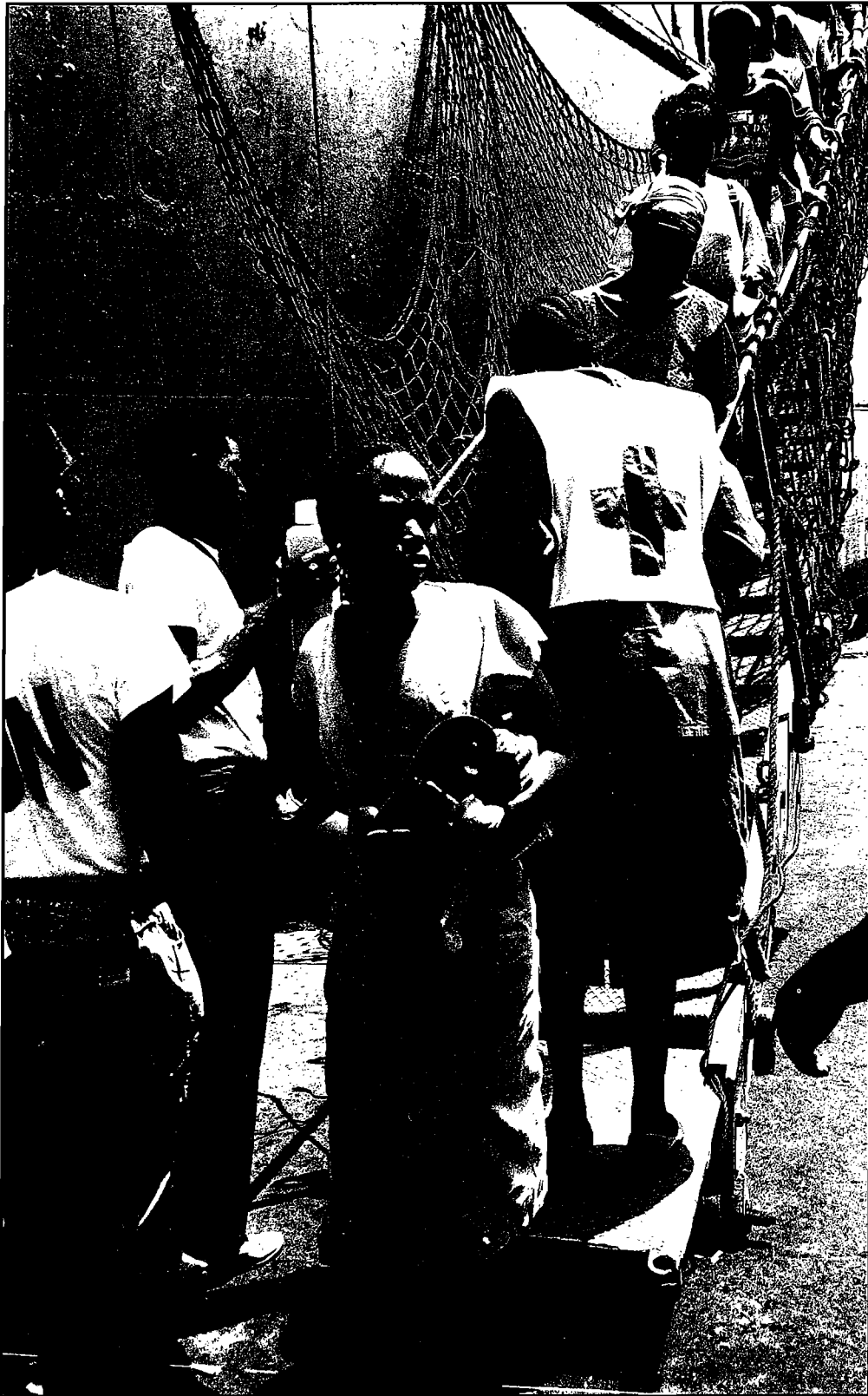
With the attention of the industrialized countries focused on Eastern Europe and on their own economies, there is a danger of Africa being ignored at a time when its need for external assistance is overwhelming. Africa made considerable efforts during the 1980s to put its house in order, as the continent-wide adoption of structural adjustment programmes has shown. Since it is agreed that the major goal of development in Africa is to achieve equitable, participatory and sustained improvement in economic and social well-being, it is not unreasonable to ask that the international community support the Africans' own efforts to place their economies on the right track.

There is no question that changes in the world economy contributed in large part to Africa's economic plight during the 1980s. The region's terms of trade, for example, declined between 1980 and 1989 by an unprecedented and debilitating 3.3 per cent per year, while service payments on long-term debt rose from \$4.8 billion in 1980 to \$9.4 billion in 1990, largely because of the 'interest rate shock'. The net flow of loans decreased in the 1980s.

Combined with the increase in debt servicing, this led to a reduction in the net transfer of loaned concessional and non-concessional funds from \$5.6 billion in 1980 to \$2.3 billion in 1989 and an estimated \$500 million in 1990.

True, grants and direct foreign investment increased, so that aggregate net resource transfers from abroad rose from \$5.8 billion in 1980 to \$9.4 billion in 1989 (see Table 6). But this was not enough to offset international inflation and the decline in terms of trade.

Without a substantial improvement in the international situation, it will be impossible to implement the proposed new strategy for Africa's development in the 1990s. There are a number of practical ways of bringing this about, all within the political and economic power of the international financial institutions.



*Additional external support and resources will be needed to achieve Africa's development goals.*

TABLE 6.

*The net transfer to Africa south of the Sahara*

1980-9 (in current US\$ unless otherwise stated)								
	1980	1983	1984	1985	1986	1987	1988	1989
<i>Debt-related net transfer</i>								
Total	5657	4092	1727	-856	2067	3185	1712	2307
IMF and World Bank	1205	1742	986	399	385	632	382	455
IMF	730	879	-41	-454	-954	-863	-462	-728
World Bank	72	270	305	31	33	-75	-725	-391
IDA (a)	403	593	722	802	1306	1570	1569	1574
Multilateral (b)	707	664	442	487	650	709	672	607
Bilateral (c)	1657	2295	1925	472	1210	1194	630	945
Private	2818	270	-1667	-2648	-1132	-213	-434	-428
<i>Nondebt-related net transfer</i>								
Total	186	2514	2733	4069	4294	4441	6261	7113
Grants	177	1475	1993	3032	3414	3943	—	—
DFI (c) (d)	9	1039	740	1037	880	498	—	—
Total net transfer	5843	6606	4460	3213	6163	7626	7973	9420
Total net transfer (in 1980 dollars)	5843	5450	3545	2481	4637	5566	5634	6395

(a) IDA = International development assistance.

(b) Excluding grants.

(c) Based on World Bank and UNDP, *African Economic and Financial Data*, New York and Washington, DC; United Nations Development Programme and World Bank, 1989.

(d) DFI = Direct foreign investments.

Source: From a paper presented by G.K. Helleiner to the Symposium on "Structural Adjustment, External Debt and Growth in Africa", Botswana, 1991.

**DEBT RELIEF**

Donor countries introduced some limited debt-forgiveness measures for low-income countries in 1978-79. By 1990 this action covered one-sixth of severely-indebted low-income country debt. Additional debt relief occurred through the 'Toronto terms', which combined debt forgiveness and rescheduling. But this only produced estimated cash flow savings of one per cent of scheduled debt servicing, a meagre drop in a huge ocean. Servicing of bilateral debt in Africa amounted to \$2.8 billion in 1990. There is therefore much scope and need for further relief measures to be taken.

Two main proposals are now being discussed, namely the 'Trinidad terms', proposing the cancellation of two-thirds of the official bilateral debt, and the plan put forward by Jan Pronk, the Dutch minister for development cooperation, which entails the simultaneous cancellation of all official debt to all low-income, debt-distressed countries engaged in serious reforms.

Debt service to multilateral institutions amounted to a massive \$2.7 billion in 1990; in addition, as noted, the international institutions experienced positive transfers on non-concessional loans from Africa from 1984. (In 1989 the transfer to the World Bank and the IMF amounted to \$400 and \$700 million respectively.) All African debt to these two bodies should therefore be converted to low-interest, long-term loans in order to achieve a "zero transfer" situation, a first step towards undoing the knot that is preventing economic recovery.



Private sector debt service by African countries reached \$3.8 billion in 1990. This amounts to a mere five per cent of the total debt service of all developing countries to the private sector. A writedown of one-fifth of private sector debt would amount to only one per cent of that sector's outstanding debt for all countries, while providing an urgently needed extra \$800 million for Africa annually.

Taken together, these three measures would provide an additional \$6 billion a year for Africa. Combined with the extra flows from official grants and direct foreign investment that have already occurred, this would meet the financial needs of the new development strategy.

## **COMMODITY PRICE AGREEMENTS**

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Falling commodity prices were the major cause of the foreign exchange drain during the 1980s. Increases in the production of traditional primary commodities, partly stemming from the adjustment programmes, might have contributed to their further price decline. Particularly for those commodities, such as coffee, cocoa, sisal and jute, which have low price and income elasticity, and for which Africa provides a large quota of world exports, net foreign exchange earnings would increase through production cutbacks. The export diversification component of the new strategy should help to reduce the rate of production increase. Other measures, including taxes on traditional commodities and international price agreements, supported by finance to assist in price-support schemes, are also required.

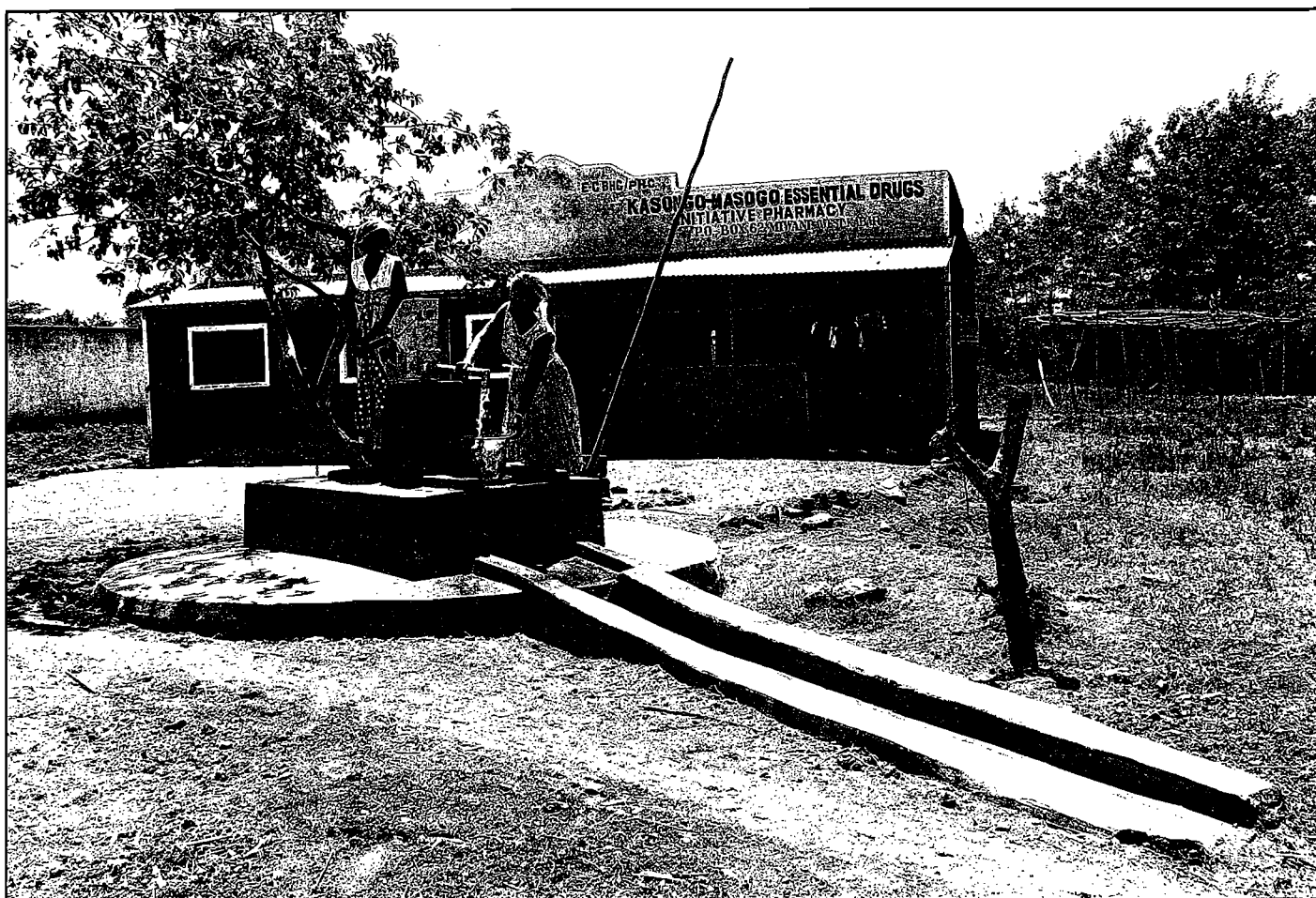
While it is often pointed out that commodity price support schemes are rarely successful, some mechanisms have succeeded in providing important short-term financial relief, such as the Tin Agreement, the Cocoa Agreement and OPEC. The success of the Common Agricultural Policy of the European Community shows that failures usually derive from the lack of support from key interest groups, rather than from the difficulties inherent in devising practicable schemes.

## **INCREASED AID FLOWS**

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A considerable shift in official development aid (ODA) in favour of Africa has taken place during the last two decades. But the proportion of aid assigned to human resource development has dropped, while debt service obligations have cut into public expenditure for health, education and welfare. Greater aid flows will therefore be particularly important in these sectors.

The World Bank estimates that during the 1990s sub-Saharan Africa will require at least \$1 billion in additional annual aid to halt social retrogression and to ensure reasonable progress in the social sector alone. The simplest and most cost-effective way to do this would be through greater debt relief, although some increase in ODA will also be needed. Improvements in the quality of aid, including substantial shifts to programme aid, greater participation in the financing of recurrent costs, and more focus on primary health care and education and on rural water supply will also be required. Recent UNICEF estimates suggest that if the proportion of aid allocated to



*The proportion of aid allocated to human resource development has dropped.*

the social sector were doubled (from the present level of 10 per cent of total aid), close to US\$ 2 billion could be generated every year for priority social activities.

If debt relief and commodity price support are successful, there will be less need for greatly increased aid flows to Africa. But if the suggested measures are not implemented, resource flows amounting to at least twice the current levels, on extremely soft terms, will be required during the the next decade. This option, however, is far less preferable to the first two measures because it would increase Africa's already extensive economic dependence on the developed countries.

## **DIRECT FOREIGN INVESTMENT**

While foreign investment has an important role in African development, especially in the transfer of technology and in managerial and marketing functions, it has not made a significant contribution in the past. This is because it has been highly import intensive and has led to considerable resource transfers overseas.

The privatization of parastatals during the 1980s, which should have benefited Africans, rarely did so because a dynamic, large-scale indigenous private sector was lacking. Instead, privatization transferred major assets to foreign ownership. Greater emphasis should therefore be given to reforming/rationalizing — and not only privatizing — the parastatals. Foreign private investment should be encouraged where it can make a critical contribution to the development of new exports. Joint ventures offer a mechanism for technology transfer without foreign domination of managerial functions.



CHAPTER 7

## DEMOCRACY, GOVERNANCE AND THE ROLE OF THE STATE

Since the strategy is designed to be more egalitarian and democratic than development policies adopted after independence or favoured more recently by the IMF and the World Bank, the political environment in which it is to be implemented will be of paramount importance. The new approach will need a strong and thoroughly reformed State, which has political legitimacy and the capacity to devise and implement dynamic, redistributive policies.

A major problem with the earlier 'growth with equity' development strategies in Africa was that they were not politically anchored in most African states. They tended to emanate from international bureaucracies that had no political leverage at the national level. It is therefore important to identify the political preconditions required for the implementation of the new alternative development strategy proposed here.

### THE REFORM MOVEMENT

The first essential condition is democracy, and the hope is that the current democratization movement in Africa will produce the necessary political transformation. More than a dozen nations have either had multi-party elections or are preparing for them (see the case study on p. 59). Power has changed hands democratically and peacefully in Benin, Cape Verde, Namibia, São Tomé and Príncipe, and Zambia since 1990. Multi-party elections have been promised in another 10 countries. No country in the continent has been untouched by the movement; even the most hardline autocrats have felt the democratic wind on their cheeks.

Evidence of strong indigenous reform movements in different parts of Africa appeared as the 1990s opened. These movements are, at one level, protesting the social and economic effects of adjustment policies. But they are also calling for greater democratization of African societies, increased accountability in the management of national affairs and an end to corruption and waste.

While the social base of these movements remains unclear, one common fea-

ture is that they are essentially urban-based in the formal sectors of the economy. Typically, university staff associations, student movements, professional associations and trade unions have been involved. The protests do, however, enjoy widespread support among the unemployed in urban areas, while reform movements are also emerging in rural areas, particularly in some of the countries of southern Africa.

The political clout of these movements is demonstrated by the fact that most African governments have either given way or indicated a willingness to re-examine political structures, especially one-party rule. Although the movements' economic agenda is not yet clear, they invariably seek greater accountability and transparency in the management of economic affairs.

Therefore, there is much more room and pressure for the type of reform discussed here than is usually appreciated. For instance, the relationship between urban and rural constituencies is not as polarized as much of the literature implies; urban-rural ties impart a populist character to African society. What is more, a prosperous rural sector is now widely recognized as the necessary condition for overall growth, adding further force to the argument for a smallholder-led growth strategy.

The opposition to current adjustment programmes has been a major galvanizing force behind these movements. There are reasons for this. First, the SAPs dramatically undercut the legitimacy of the State, revealing its weak and dependent character.

In a sense, the rising strength of the movements for democracy in Africa should provide a convincing challenge to foreign powers and institutions to introduce significant debt relief. To the extent that Africa's creditors insist on having the debt repaid, the current adjustment programmes will place severe strains on the new democratic governments that are emerging in Africa, such as those in Zambia and Zimbabwe.

Second, macroeconomic crises have brought to light long-hidden micro-inefficiencies and the blight of corruption. This is particularly important since corruption continues to enrich the few while the many are asked to shoulder, in the name of patriotism, the burden of austerity. These crises therefore represent a major opportunity not only for the democratic movement, but also for a rationalization of the role of the State.

So far, the commitment of the international institutions to promoting 'adjustment with a democratic face' has, however, been hazy. International financial institutions have recently added 'participation' and even democracy to their preconditions for successful adjustment. Yet it is not clear how the lack of democracy hindered adjustment. Some of the "strong adjusters", in the language of the World Bank, such as Chile under General Pinochet, have adjusted in an extremely undemocratic manner. Indeed, the belief that authoritarian rule is necessary to implement orthodox economic reforms, for instance, the removal of subsidies for goods and services, has been conventional wisdom for years. The new popular demand for democracy would therefore seem to contradict this thinking.

Moreover, the implementation and monitoring of the SAPs has often shifted the locus of authority and responsibility from African capitals to the international institutions. While some of the very corrupt regimes left no alternative but to enforce this shift of power and while at times the representatives of political opposition brought it about, it did nonetheless undermine the accountability of African governments. The informal governance of African economies by foreign institutions waters down the meaning of democracy by rendering national governments marginal in key deci-

sions affecting their political economies. In some cases, it would therefore appear that democracy was somewhat incompatible with adjustment programmes. Certainly, the toughness of adjustment will have to be reconciled with the search for consensus.

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## THE ROLE OF THE STATE IN THE SOCIAL SECTOR

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Key to the strategy proposed here is an accelerated development of human resources. During the 1980s the role of African governments in this sector declined. This was due to the adjustment programmes' twin thrust of reducing government spending, including expenditure for health and education, and encouraging the private sector to fill the gap. The idea was that greater competition among private and public providers would enhance the quality of social services. It was not always, however, correctly assumed that people would be willing and, even more importantly, able to pay for them.

The approach was not a success and its continuation would probably undermine the overall alternative strategy. It is now clear that there should be greater, not less, government involvement in the provision of social services. Non-governmental organizations, communities and private-sector providers should continue their involvement in the social services area, hopefully even on an expanded basis. But the public sector, properly and thoroughly overhauled, must play a central role. It is only government that can set global guidelines, guarantee that institutions and activities conform to national policies, ensure integration among different levels of services, mobilize adequate resources and achieve nationwide service coverage.

There are four areas, however, that need to be addressed in order to revitalize the role of the State in human resource development in Africa. To begin with, the content of social services should be much more closely adapted to the needs of the child, adolescent and the family. Education is a fertile field for improvement: a wider use of African languages, curriculum reform, productive work for students still in school, and an adequate supply of teaching materials would make the system much more relevant and cost effective.

Secondly, there is considerable scope for enhancing the efficiency of services. Minimum resource inputs are vital in order to ensure the efficiency of services. Greater mobilization of community resources, such as materials and labour, the introduction of more cost-efficient product standards and production techniques are required. For example, considerable savings can be achieved through the substitution of imported materials by local ones in building schools and other public facilities. The purchase of generic — instead of brand-name — drugs together with more efficient prescription practices will save money and improve health services.

Thirdly, it is necessary to improve the distribution of the benefits of public expenditure. This can be achieved by the restructuring of public expenditure in favour of basic social services, for instance, by shifting spending from hospitals to primary health care; the use of government subsidies for 'merit goods', like basic food and shelter; and by the decentralization of health care and education.

These three measures, however, will not be enough by themselves, especially in



*Top priority should be given to sectors with high social rates of return - education, primary health care, water supply, infrastructure and targeted food subsidies.*

many African countries where the share in gross domestic product of public health and education expenditure is low. The flow of resources to the social sector will need to be greatly increased. A number of options are available.

*(i) Changing priorities in government allocations and foreign aid*

As mentioned throughout this text, top priority should be given to a radical restructuring of government expenditures and international aid by shifting allocations towards sectors with high social rates of return, such as education and training, primary health care, community water supply, rural infrastructure and targeted food subsidies.

Expenditures on defence, subsidies to chronically loss-making public and private enterprises, and interest payments should be substantially reduced. This would raise the average share of public expenditure from about 22–23 per cent to 33–35 per cent. Also, as noted, the proportion of foreign aid to priority social interventions should jump from 10 to 20 per cent, thus generating additional funds in the order of US\$ 2 billion a year.

*(ii) Taxation*

In most adjustment programmes of the 1980s, fiscal balance was mainly achieved through expenditure cuts and a few indirect taxes which were regressive. This led to excessive drops in public expenditure on public goods and had a negative distributive impact. With more than a dozen countries now in the process of making tax reforms, it is paramount that a more active, efficient and equitable tax policy be installed. If successful, this would allow a rise in overall public expenditure, including that on the health, education and public infrastructure.

A few general principles of tax reform apply to all African countries. First, colonial-type tax systems emphasizing the taxation of exports should evolve towards systems that focus on income taxes, progressive and efficient indirect taxes, earmarked taxes (as in Chad, Cote d'Ivoire and Niger) and a boost in the prices of public utilities that mostly benefit wealthier people. Second, goods and services consumed by the poor (such as basic foods and simple drugs) should be exempted from indirect taxes, as in Namibia for instance. Third, broadening the base of income taxes, rather than raising marginal rates, should be a priority. Fourth, a tax on wealth, such as land, should be introduced, while tax collection must be substantially strengthened.

These changes clearly require a strong political commitment, but the past experience of countries like Burkina Faso and Zimbabwe show that they are possible. The potential payoff is considerable. A non-distortionary and equitable increase in the tax ratio of about 2–3 points of GDP is technically feasible in a number of African countries.

*(iii) Mobilizing additional resources from households and communities*

During the 1980s, there was an upsurge in the practice of charging user fees for health, education and other social programmes, which brought limited budgetary benefits and a number of negative effects. There was less demand for health and



education services; people used preventive health services less; households had more difficulty in meeting other basic needs, such as the purchase of food; and there is little evidence to show that the revenue from user charges was reinvested to improve the quality of local services.

Nevertheless, there are some areas where user fees are beneficial, notably in university education and other 'high-income' services. They are also an advantage where state services are totally lacking, as may be seen in some of the practical applications of the 'Bamako Initiative' such as those in Benin and Guinea. The introduction of fees through the public sector can also be justified where goods or services, such as drugs, drinking-water and medical visits, are provided by inefficient private suppliers at high costs.

While direct fees can be problematical, there are indirect ways of mobilizing resources from communities, such as prepayment schemes, health insurance, lotteries, mutual funds, and the sale of produce from communal land. These schemes are particularly attractive for health care activities. They have the advantage of shifting the moment of payment so that individuals are not hit with a heavy outlay at the time of illness. In addition, they spread the burden of costs for drugs and treatment over a larger group.

## **DEMOCRACY IN ZAMBIA: NEW HOPES AND OLD PROBLEMS**

The rising tide of democratic movements in Africa is bringing widespread demand for transition to a more pluralistic system based on the democratic concepts of accountability, rule of law, competitive elections and freedom of speech. Democracy is spreading fast, with more than a dozen countries, including Benin, Botswana, Namibia, Cape Verde and Zambia, having already completed a transfer of power and many more in varying stages of preparation. Zambia provides an impressive example of a peaceful transition to democracy.

On 31st October 1991, the United National Independence Party (UNIP) led by President Kenneth Kaunda, Zambia's monumental leader since independence, was decisively defeated in the country's first internationally-monitored democratic elections. Object of increasing criticism for his government's poor performance over the previous decade, President Kaunda acknowledged defeat and handed over power peacefully. For Zambia, the landslide victory of the Movement for Multiparty Democracy (MMD) brought an end to a one-party system of government and gave living proof to the fact that the handover to democratic rule can occur without violence.

The new government came to power with a heavy burden of economic disrepair: peoples' real incomes had been halved over the previous 10 years, inflation was riotous and a staggering debt of over US\$ 7 billion was literally strangling the country. Steps are being taken to sustain and consolidate the new democratic tradition, as may be seen by the development of organized labour, the growing tolerance towards strikes, the rapid proliferation of the printed media, renewed business initiatives, the increase in goods and a positive climate encouraging lively debate and political participation both by groups and individuals. But this process is under severe threat from persisting poverty.

The economic programme of the new democratically-elected government calls for the alleviation of poverty through stimulation of real economic growth, an increase in the levels of investment, greater space for individual choices in business, creation of employment opportunities which will provide decent incomes and stimulate domestic demand and, finally, the removal of structural constraints to the effective functioning of the economy. However, unless the stranglehold of debt, donor dependence and drought — the three corners in a closed triangle of impotence — can be loosened, Zambia's economic development path will remain blocked.

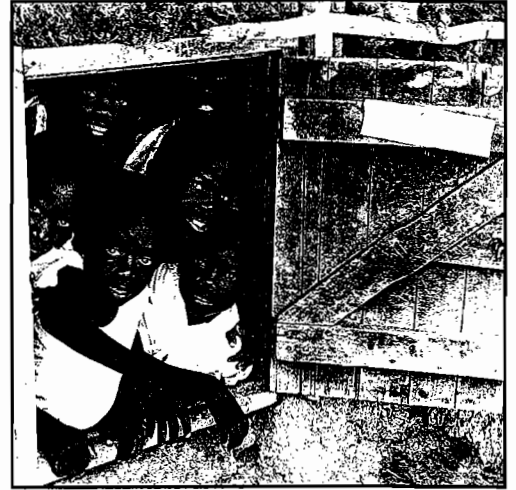
The debate on external debt and the related issue of structural reform is an extremely

sore point in Zambia. It is generally felt that the huge debt Zambia owes was irresponsibly procured by the former government, is over-inflated and impossible to pay. Similarly, there is deep concern that the structural reform programmes initiated by the previous government, and which the present government is obliged to continue, will push Zambia even further away from equitable economic development.

Added to these dilemmas is the massive drought affecting large parts of the country. Not only has this adversity hindered the start of the government's economic programme, but it has also strengthened the debilitating culture of donor dependence.

If the success of democratic change may be judged by the speed with which it manages to peacefully transform the political landscape of a country, then the Zambian case has been an overwhelming success. In only two years, the call for change, which started as a mere conference resolution seeking a multi-party system, has led to a democratically-elected government in power for over nine months. Such an achievement is unparalleled. But this is not the end of the democratic line: democracy and development cannot be separated. Protecting this political feat requires addressing the threat of debt, donor dependence and drought. Commitment is needed by everyone — both the people and government of Zambia as well as the international community — in working towards a real, lasting and significant improvement in human conditions.

The call for democracy is growing louder and stronger, not only in Zambia but right across the continent. Many other countries are listening to and answering the rising demands for democratic change. And Zambia and the other countries which have made this transition vividly show that peaceful change is possible. But democracy remains under threat. How lasting and sustainable this process of change can be will depend to a large extent on the committed solidarity of the international community.



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## CONCLUSION

The time has come for a new approach to development in Africa so that the fundamental and urgent objective of sustained growth, combined with social justice and structural transformation, can be attained. The new strategy must be holistic and sustainable; economic and social reforms alone are not enough. They must be accompanied by a political environment built on the firm foundations of a strong and involved government that allows for participatory democracy, accountability and transparency.

The people of Africa did not blithely accept the backslide into crippling impoverishment. The multitude of innovative and vibrant economic activities and initiatives undertaken by African families, communal associations and small enterprises across the continent vividly testify to the tenacious fight launched in response to the devastating crises of the 1980s.

However, the odds are stacked so heavily that no strategy for Africa's future will work without the crucial involvement of Africa's international partners. Lack of adequate external support, including increased external resource flows, could seriously threaten the determined efforts being made in Africa and could jeopardize the growing democratic movement.

Now is the time to act. Indeed, the penalties for not taking action are serious. Africa's environment has already suffered severe degradation, and the situation is likely to get worse. Drought continues to blight the lands, the resources and the hopes of the people of Africa. The AIDS pandemic remains unchecked, threatening untold consequences in loss of life, social disruption and economic damage unless it is brought under control. A mix of hope and desperation is creating high levels of emigration, particularly to Western Europe. Already the object of political concern in some European countries, this trend will continue and increase unless real and tangible signs of relief are felt in Africa. The only path towards improvement is that of equitable growth and stability.

The new decade is already well under way. Africa can, needs and wants to recover during the 1990s. The resilience, courage and strength of Africans at the grass-roots level show that they have not given up the fight against debilitating poverty. A concerted economic and political start towards equitable and sustainable long-term development is possible. But action, by everyone concerned, is required before the opportunity is lost.



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## BIOGRAPHICAL NOTES

The following people contributed to the book on which this summary is based.

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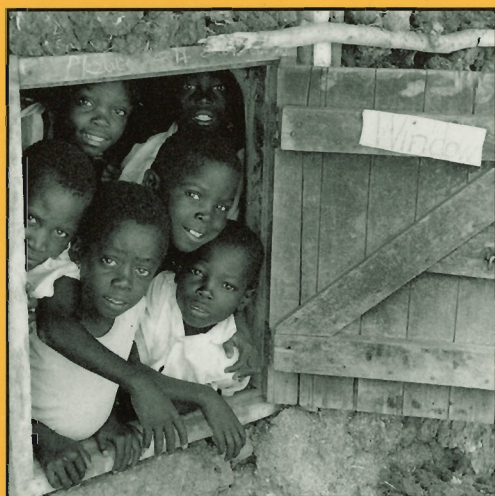
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*phototypeset by il DocG - Siena*  
*printed in Italy by CENTROOFFSET - Siena*







International Child Development Centre  
Florence Italy