

IDS LIBRARY

**THE STRUCTURAL ADJUSTMENT OF STRUCTURAL ADJUSTMENT:
SUB-SAHARAN AFRICA 1980-1993**

Editors: Reginald Herbold Green with Mike Faber

vol 25 no 3 july 1994

**UNIVERSITY OF NAIROBI
IDS LIBRARY**

Editorial – The Structural Adjustment of Structural Adjustment: SSA 1980-1993 <i>Reginald Herbold Green and Mike Faber</i>	1
Governance, Structural Adjustment and Transformation <i>Oje Aboyade</i>	9
Public Finance: Expenditure Allocating, Resources Raising <i>Reginald Herbold Green</i>	16
Structural Adjustment: A Treasury Experience <i>Jonas P. Kipokola</i>	25
Economic Integration for Development in Eastern and Southern Africa: Assessment and Prospects <i>Ngila Mwase</i>	31
Production By Poor People <i>Reginald Herbold Green</i>	40
Some Reflections on Country Experiences with Structural Adjustment <i>Steve O'Brien</i>	51
Structural Adjustment and Macroeconomic Policy: Ghana 1983-1992	56
Transitional Period Economic Reform in Ethiopia – 1991-93	67
Essentials for African Economic Transformation <i>Oje Aboyade</i>	73
Through Structural Adjustment to Transformation: Country Participants' Seminar Report	79

The views expressed in this publication are the responsibility of the authors, and not the Institute of Development Studies

Cover illustration: Alan Irvine, Irvine Designs

The structural adjustment of structural adjustment: SSA 1980-1993

Reginald Herbold Green and Mike Faber

Two major problems confront an outsider seeking to understand, or a newcomer seeking to participate in structural adjustment: first it has a deceptively familiar terminology in which familiar words have specialized (and changing) meanings and second, structural adjustment in SSA has been radically adjusted over the past decade. The two major sections of this editorial seek to provide guides to the terminology and to how the "lessons of experience" have altered the substance, time horizons and presentation of structural adjustment. They also pose some of major present gaps or unresolved problem area.

Governance, structural adjustment and transformation

Oje Aboyade

Reconceptualizing development in terms of people as means and ends requires reassessing the roles of the state and of leadership. In general the SSA record in respect of both has been poor. The requirements for sustainable development include human investment, skills, information, creativity and appropriate institutional capacity just as much as fixed investment. Accountable, decentralized government and more active civil society roles are also important for sustained development. A central issue is refocusing attention on national development goals, resources and markets, treating the external world (sources of capital and technology and of markets and sources) as imposing constraints on or providing opportunities for sustainable development but not as a source of blueprints for action nor of basic goals.

Public finance: expenditure allocating and resources raising

Reginald Herbold Green

National budgets in SSA have major impacts on macro, sectoral and micro economic results simply by being very large relative to total demand and also to supply of most human investment services and of infrastructure. Together with programming for specific policy goals (including balance, redistribution, non-inflationary finance of necessary expenditure), these automatic impacts are more likely to be positive if analysed and

specifically taken into account in policy formulation. While more sophisticated analysis and holistic expenditure and revenue measure conceptualization is needed in SSA, both data quality and operational constraints require simple programmatic (including tax) formulation and operation if either policy or budget results are to improve.

Structural adjustment: a treasury experience

Jonas P. Kipokola

African countries have built up substantial bodies of experience on Structural Adjustment design, negotiation, implementation and results/limitations. These information banks could usefully be more widely shared. In Tanzania, as in many other SSA countries a combination of external shocks, late responses to them and other domestic policies had by 1984 created a crisis situation in which both major policy changes and external resources to support them were needed. In general the programmes have been macro successful – albeit slower in results than anticipated – except as to external balance. The importance of achieving and holding a political consensus for action (even if it slows initial steps) is demonstrated by the Tanzania experience as is that of hard negotiation and country initiatives. More negatively the experience suggests financial sector reform should be parallel to not significantly lagging physical production sector structural adjustment.

Economic integration for development in Eastern And Southern Africa: assessment and prospects

Ngila Mwase

Eastern and Southern Africa has a long history of efforts to achieve operational economic integration and a complex set of overlapping institutional frames. The gains from successful cooperation are agreed – the basic issues turn on how to attain them. In this context the experiences of the two key actors, PTA (Preferential Trade Area) and SADC (Southern African Development Community), offer insights into the strengths and weaknesses of a broad, secretariat-led trade barrier reducing organization and a narrower (geographically), key sector production coordination, country-led one (SADC). The divergences – as well as history – have hampered attempts to coordinate or to merge them and their responses to the opportunities and

challenges posed by the re-entry of South Africa into Africa. The latter raises rather more complex issues (and ones less threatening – or promising in some respects – to its Eastern and Southern African region potential partners) than is sometimes supposed.

Production by poor people

Reginal Herbold Green

Almost one third of all sub-Saharan Africans are absolutely poor. That proportion is rising whereas in the only comparable case – South Asia – it is falling. Absolute poverty damages a polity and a society – not only those who are themselves poor. It is also economically costly. Linkage and macro-economic as well as household livelihood considerations mean that investing in enabling poor people to produce more is likely to be relatively high payoff especially in post-drought or war restoration of livelihoods and production contexts. The main challenges to acting today are lack of mainstream, strategic formulations and of contextual (including gender), decentralized data provision plus programme articulation and operation capacity. Space to do more is growing – in SSA and with donors – but requires much work to occupy effectively.

Some reflections on country experiences with structural adjustment

Steve o'Brien

Structural adjustment has been carried on for almost a decade and a half and now encompasses 29 country programmes. Results are mixed and evaluations of out-turns and causes somewhat contentious. The most recent World Bank review finds macro policy performance as critical to results albeit an African weak response and an initial design error component are also present. Some reforms are technically easy to implement speedily while others are both technically harder and more time consuming. The Kenya experience over 1980-1993 – marked as it is by two periods of policy and out-turn slippage – appears to bear out the study. In each case inaugurating or reverting to structural adjustment crises which could not be tackled without significant donor support played a major role in decision taking.

Structural adjustment and macroeconomic policy: Ghana 1983-1992

Ghana entered structural adjustment in 1983 following a decade of economic stagnation and three years of crisis triggered by drought. Price (e.g.

interest rate, foreign exchange, cocoa) distortion seriously limited incentives to produce and mal-allocated resources. Price and expenditure cutting were achieved rapidly. Together with the end of drought these reversed output decline and eased inflation. In a second phase fiscal rebalance and export recovery were achieved with substantial financial and trade liberalization and privatization. However, fiscal balance and price stability remain fragile, because of terms of trade decline the trade gap has not narrowed, and if SAPs are necessary to generate finance to pay structural external trade gaps there is no evident target date for 'graduation'. Ghanaian input into programme articulation and innovation rose markedly from 1985 onward.

Transitional period economic reform programme in Ethiopia: 1991-93

When the Ethiopian civil war ended with the installation of the Transitional National Government in 1991, the economy faced massive fiscal, external account and food imbalances compounded by large external arrears and a totally unpayable level of external debt service. A heritage of structural poverty and low growth had been compounded by the previous regime's bureaucratic statist centralism and brought to crisis by the civil war. Major reform measures broadly along SAP lines, but envisaging substantial state roles in provision of services, production and market regulation were planned and initial steps taken over 1992-1993 had limited but positive effects, although as of late 1993 a formal SAP had not yet been negotiated.

Essentials for African economic transformation *Oje Aboyade*

Africa's recurrent economic crises and failure to respond adequately imply failures of intellectual analysis, political will and policy formulation as well as adverse external shocks. Structural adjustment can be part of the answer but not the whole of it and, to date, has a very mixed record. In part, but not wholly, the results do relate to national seriousness in SAP implementation. Poverty – both conjunctural and structural – is a major challenge not well handled in SAPs, partly because it is rarely integrated into basic macro and sectoral design and programming. To improve future structural adjustment, SSA countries need to make poverty reduction central, open up political participation and the room for civil society initiatives, recognize that

economics (and still less an imported economic model) is not everything, insist on greater African participation in development design (including SAPs) and accept greater responsibility for results (and responses to them) rather than off loading them on the World Bank and IMF.

Through structural adjustment to transformation: country participants' seminar report

The participants agreed that structural imbalances related to internal policies as well as external shocks and required structural adjustment in their countries. They also agreed that to date, structural adjustment had been slow to yield positive

growth restoration and had imposed high – and often avoidable – social costs. In particular external trade policies were seen, at best, as having halted widening of imbalances but – especially in a context of limited debt, write-downs and worsening terms of trade – not to have laid a base for closing trade gaps or reducing dependence on aid. The residual nature of SDA (social dimensions of adjustment/poverty alleviation) programmes and the failure to build gender sensitivity into macro and sectoral economic policy and programming were criticized. Acceptance of basic national responsibility for restructuring was combined with pointing to the need for greater national, domestically accountable input into designing it.