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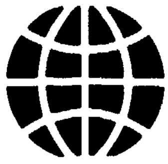

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Structural Adjustment in Sub-Saharan Africa

Cadman Atta Mills

AN EDI POLICY SEMINAR REPORT • NUMBER 18

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AN EDI POLICY SEMINAR REPORT • NO. 18

Structural Adjustment in Sub-Saharan Africa

Report on a Series of Five Senior Policy Seminars Held in Africa 1987-88

Cadman Atta Mills

The World Bank
Washington, D.C.

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Foreword

This book is one of a series reporting on policy seminars organized by the Economic Development Institute of the World Bank. Policy seminars provide a forum for an informal exchange of ideas and experiences among policymakers from different countries, leading experts in development, and World Bank staff with respect to major issues of development policy.

Policy Seminar Reports focus on issues raised during seminars that may be of interest to a wider audience. They are not intended to be comprehensive proceedings. However, they seek to convey the essence of the discussions that took place and to bring out any principal areas of agreement or disagreement that emerged among those participating.

Christopher R. Willoughby
Director
Economic Development Institute
of The World Bank

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Summary

In 1987 and 1988 the Economic Development Institute organized five senior policy seminars on structural adjustment and the sustainability of policy reform in Sub-Saharan Africa. The seminars' main objective was to provide a forum where participants could explore improvements to existing policies and ways to make these improvements socially acceptable and politically feasible. As a by-product, the seminars facilitated informal dialogue between senior World Bank and International Monetary Fund staff and African policymakers.

Some of the main observations and lessons that emerged from the five seminars are presented below.

- Most African policymakers clearly recognize the need for adjustment to arrest economic and social decline. Adjustment, however, must be seen in a broader context as involving medium- and longer-term policies in addition to immediate (stabilization) measures.
- An immediate objective of adjustment is ensuring food security. Beyond this objective, adjustment should alleviate crisis-induced social and economic disruptions in the shortest time possible. Basic social services must be protected.
- Over the medium and longer term, adjustment should aim at making the economies less vulnerable to external shocks and establishing the basis for sustained growth and development. Current adjustment programs have yet to successfully reconcile demand management with supply-enhancing measures.
- Efforts to accelerate industrialization must go hand in hand with agricultural expansion. This is necessary to minimize risk and increase self-reliance. The promotion of subregional or regional trade and the coordination of development plans and strategies--a main objective in the Lagos Plan of Action—have not received the attention they deserve.
- Significant social costs are associated with structural adjustment. As a result, structural adjustment requires careful political management. Adjustment programs should be designed, timed, and phased so as to minimize these costs. The costs and benefits associated with reform must be equitably distributed and perceived to be so.
- To be sustainable, an adjustment program must be nationally designed and/or designed to fit local conditions. Indigenous research institutions, economic planning departments, and the research arms of chambers of commerce and industries have a major role to play. Local design is the most important factor for reform programs to be perceived by the population as their own. In addition, the credibility of the government and the population's confidence that the economic policymakers know what they are doing will be enhanced. Building support for reform programs should start at the design rather than at the implementation stage.
- For many reasons—including the weak bargaining positions of African governments and their lack of indigenous capacity for policy formulation—international organizations currently set the agenda for policy reform. This has had a number of unfortunate consequences. Adjustment programs are characterized by a remarkable degree of uniformity of approach; differences are only of detail. Alternative viable approaches suggested by African governments are not seriously considered. The time horizon for adjustment has been biased toward the short and medium terms, with a tendency for such longer-term variables as education, skills development, and the environment to be thrust aside. The social cost of adjustment and the political economy of adjustment receive inadequate attention. There is a persistent danger of retreat from distributional issues.
- A long-term strategy based on export-led growth and the liberalization of foreign trade has few adherents. There is considerable export (and import) pessimism. According to participants, protectionism and discriminating agricultural policies in the developed countries make export-led growth difficult. Trade liberalization is an accepted aim, but the speed of

liberalization is a contentious issue. Participants were concerned about a "flood of imports" in the wake of liberalization.

- The current African crisis, to a considerable degree, has its origins in the international economic environment. The attainment of sustainable African balance of payments requires symmetric adjustment by surplus countries. Unfortunately, adjustment is increasingly used to characterize policies that weak, deficit countries should adopt, which amounts to a rejection of the international scope of the problem. Many participants insisted that a favorable international economic environment and adequate external financing are the keys to successful adjustment.
- Negotiations can be better handled to reduce the tensions between conditionality and national sovereignty. Furthermore, the preeminent role of multilateral organizations in defining the adjustment agenda is matched neither by a sharing of responsibility for failed programs nor by the adequacy of the organizations' efforts to mobilize resources in support of reform. Multilateral institutions should accept greater responsibility for failed programs.

1

Background

In June 1986, the National Economic Management Division of the World Bank's Economic Development Institute (EDI) designed a series of senior policy seminars on structural adjustment for Sub-Saharan Africa. The exercise led to three seminars in 1987: Lusaka I, Lusaka II, and Abidjan I, and, after redesign, two more in 1988: Victoria Falls and Abidjan II.

Seminar participants were invited in teams typically composed of ministers, governors, permanent secretaries, senior advisors, and a significant number of senior technical staff of central banks, the core ministries of finance and planning, and spending ministries such as agriculture and industry. Twenty seven countries participated in the seminars. Of these, six participated in two separate seminars (see annex A).

This report is a synthesized record of the five seminars and is likely to be of interest to all those interested in the reform process in Sub-Saharan Africa, namely, the seminar participants, other similarly placed policymakers, advisors to these policymakers, executives of the public and private sectors, staff of academic institutions, and the staff of international organizations such as the World Bank (the Bank) and the International Monetary Fund (the Fund) involved in studying the political economy of structural adjustment.

Preparatory Activities

Before the series of senior policy seminars on adjustment, EDI organized a two-tier seminar on structural adjustment for senior officials and policymakers from Anglophone Africa, held in Columbia, Maryland, and Washington, D.C. in September 1985. The seminar is referred to as two-tier as it brought together different levels of government officials. One tier, officials at a level below permanent secretary or equivalent from the core ministries/agencies of finance and planning and from central banks, met in Washington, D.C. for two weeks. In the third week, this group moved to Columbia, where EDI was holding a one-week seminar for senior policymakers from the same countries. The two groups attended some of the same sessions. The seminar's objective was to increase participants' understanding of the process of structural adjustment. The rationale behind the two-tier structure was to promote greater understanding between the different levels of government and thus enhance positive interactions in the economic decisionmaking process.

The basic approach adopted was diagnostic. Thus, a main theme of the seminar was: "Why structural adjustment?." The use of case studies and country presentations permitted a practical and problem-oriented approach to the discussions.

The seminar's themes undoubtedly reflected EDI's perception of the attitudes of the African economic policymaking establishment of the time (1984/85) toward structural adjustment, namely:

- Structural adjustment is probably another name for Fund stabilization policies. As such, participants are likely to strongly oppose policies such as devaluation and expenditure cuts.
- Within the economic policymaking establishment, senior technical officials are more positively disposed to adjustment. However, their capacity for policy analysis and implementation needs strengthening.
- Resistance to policy reform is greatest at the political level, which translates into a lack of political will for adjustment. A key element in softening resistance is better dialogue between the analytical and decisionmaking levels of government.

The context in which the seminar took place was also important. Structural adjustment loans were still a new instrument for the Bank in Sub-Saharan Africa. Defining their objectives (away from a narrow focus on the balance of payments and fiscal deficits) was an ongoing process. During this period, to many African policymakers, the Bank's policies for Africa were dominated by the strategy implicit in the 1981 Berg Report, Accelerated Development in Sub-Saharan Africa,

(Washington D.C.: World Bank). To these policymakers, the strategy probably implied an excessive focus on a narrow range of agricultural exports already facing severe competition from producers in other developing countries, with the resulting decline in international prices.

The Columbia seminar revealed that the presumed hostility of African policymakers to structural adjustment was unfounded. This stands to reason: by September 1985, many African countries had either joined the ranks of reforming countries or were on the brink of doing so. Furthermore, participants did not avoid discussion of any subject, even the exchange rate. They particularly welcomed discussions on the political economy of reform, even if these were somewhat circumscribed. One major debate considered whether devaluations lead to coups d'état.

Also to help prepare for the seminars, which were designed to focus on the political economy of adjustment, EDI organized two workshops on "The Political Economy of Adjustment" in Dalhousie, Canada, and in Washington D.C. in late 1986. About 15 social scientists with expertise on Africa attended each workshop (see Ravi Gulhati, 1987, Recent Economic Reforms in Africa: A Preliminary Political Economy Perspective, EDI Policy Seminar Report Series No. 8, Washington D.C.: EDI, for a full report).

The workshops were necessary because, in the words of a seminar moderator:

> There is a need to analyze the advantages and the disadvantages of structural adjustment policies from the point of view of gainers and losers. ... the Bank has a tendency ... to see more clearly the positive (economic) aspects of reform and to minimize the social and political risks. Structural adjustment, however, has fast become more and more complex, not just in its formulation, but also in its implementation. While the Bank can suggest various policies and instruments, explain the rationale for their application, and outline the likely repercussion of adjustment programs, there are many areas where the Bank lacks competence: knowledge of the culture of individual societies, how to motivate individuals and groups, how to wage a struggle against corruption ...

A month prior to the first 1988 senior policy seminar, EDI, in collaboration with The Higher Education for Development Cooperation of Ireland, organized a workshop in Dublin on "The Lessons of Three African Structural Adjustment Cases: Ghana, Malawi, and Zambia." Its objective was to obtain the reactions of African officials to three case studies that EDI had recently completed.[1] Among the participants were officials who were architects of the first World Bank-supported structural adjustment programs. These African experts were asked to share their experiences, highlighting what they believed were the most important lessons for other African policymakers.

One interesting point to emerge was that African policymakers perceive the staff of international organizations as promoting the view that right-minded policy is a matter of "macho-political will." Not only is this attitude on the part of international organizations' staff regrettable, on the face of it, but it is counterproductive if communicated to African officials, as is often the case. The staff of multilateral lending organizations tend to see themselves in alliance with technocrats against weak-kneed (and possibly corrupt) political figures. This attitude, however, derives from the failure of staff of these institutions to fully appreciate and understand the social, cultural, and political context as well as the temporal dimensions of policymaking.

The 1987-88 Seminar Series

The series of senior policy seminars gained valuable input from earlier activities, which influenced both the objectives and design of this series. The series itself provided a number of useful lessons to EDI staff and to World Bank and Fund staff involved in structural adjustment.

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1. Stephen Younger, *Ghana: Economic Recovery Program: A Case Study of Stabilization and Structural Adjustment In Sub-Saharan Africa* (Washington, D.C.: EDI, 1988).

Charles Harvey, *Successful Macroeconomic Adjustment in Three Developing Countries: Botswana, Malawi, and Papua and New Guinea.* EDI Development Policy Case Series (Washington, D.C.: EDI, 1987). Helen O'Neill and others, Transforming a Single-Product Economy: An Examination of the First Stage of Zambia Economic Reform Program, 1982-86 (Washington, D.C.: EDI, 1987).

The lessons learned during the Columbia seminar influenced the design of the 1987-88 series of seminars. First, the seminars were aimed at senior policymakers only. This reflected EDI's desire to involve other partner institutions in technical training while mounting its own seminars for policymakers.

Second, EDI felt that while the diagnostic/attitude modification stage is now past for most African countries, a fuller understanding of reform is still needed in most cases. Above all, current concerns now focus on creating and strengthening a constituency that supports adjustment.

A main objective of the 1987-88 seminars was, therefore, to provide a forum for the joint exploration of improvements to existing policies and of ways to make these improvements politically feasible. Not only could participants learn by talking to each other, but EDI hoped that the seminars would also facilitate informal nonconfrontational dialogue between participants and senior Bank and Fund staff. Country teams were to set the agenda for discussions by preparing and presenting a thematic case study based on their country's reform experiences.

The Bank could also contribute by supplementing participants' case studies with papers or oral presentations drawing attention to cross-country experience from Africa and elsewhere. EDI, therefore, prepared a number of theme papers that defined the nature of the problem addressed, supplemented by short case studies on the reform experiences of selected countries.[2]

Comments

Most participants at the senior policy seminars were not only convinced that the crisis had revealed severe distortions in the economies of most countries that called for far-reaching reforms, but had little trouble in identifying what would constitute a successful (thus sustainable) reform program. A *minimalist* definition invariably involved food security and the alleviation of the crisis-induced social and economic disruptions in the shortest time possible.

The main adjustment issues, as they emerged from the series of senior policy seminars, were the following:

- reconciling the need for short-term stabilization with protection of the most vulnerable groups;
- preserving the environment as well as the medium- and long-term growth potential of the economies;
- improving exchange rate policies and exchange regimes;
- ensuring adequate supply responses to improved incentive frameworks;
- coping with uncertainty in the international trade, payments, and monetary regimes.

The seminars also revealed that African governments increasingly consider that the current exclusive focus on national economic policy formulation should be modified to reflect an immediate objective of promoting interregional cooperation by coordinating development policies and trade with the eventual goal of economic integration on a subregional and/or regional basis.

Another significant finding, later confirmed by a post-seminar evaluation mission, was that African policymakers were very interested in engaging in substantive exchange with each other, and with the Fund and Bank on the *content* of structural adjustment programs. In virtually every policy area the questions: What worked? How? In what context? Why? were guaranteed to engage participants.

Each seminar had its own particular flavor: a feature not brought out in this report since it is a synthesis of all five seminars. In Lusaka I, political economy issues central to the North/South

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2. Theme papers:

- Exchange Rate Policies in Sub-Saharan Africa (Ghana, Nigeria, Sierra Leone, Uganda, Zaire);
- Restructuring Agricultural Marketing and Prices (Madagascar, Malawi, Tanzania);
- Reform of the Trade Regime and Industrialization in Sub-Saharan Africa Côte d'Ivoire, Ghana, Kenya, Mauritius, Senegal, Zambia);
- Restructuring Parastatals in Africa (Kenya, Madagascar, Niger);
- Restructuring Public Expenditures in Sub-Saharan Africa (Kenya, Senegal, Togo, Zambia);
- Management of Aid and Debt in Sub-Saharan Africa (Malawi, Mauritania, Somalia, Togo).

debate, including the perceived role of the Bretton Woods institutions, occupied the central place. The general feeling was that African governments are being called upon to make politically costly adjustments at a time when the international environment is hostile.

Discussions at Lusaka II, while not ignoring the international dimension, tended to stress internal sources of resistance to reform. In particular, some participants maintained that on the basis of experiences such as that of Uganda, political order and stability are prerequisites for successful adjustment. Furthermore, a gradual and sequential approach to adjustment is preferable since it would (a) give policymakers and analysts time to fully understand the reform process, and (b) minimize social costs.

In Abidjan I, participants made a number of important observations about the social and political characteristics and impact of development strategies African countries have followed to date. For example, they recognized that over time, the urban sector has extracted massive amounts of surpluses from the rural areas, and that the public sector was instrumental in making this transfer possible. However, as at Lusaka I, participants identified the international environment and external financing as the key to successful adjustment.

To many participants at Abidjan II, declining terms of trade and the excessive burden of external debt rule out the resumption of growth in the near future. As a result, African governments have generally been more successful in stabilizing their economies than in promoting economic growth. This, therefore, is a major challenge that African governments have to face. Abidjan II was also notable for participants' contributions on the issue of the efficacy of monetary policy in a context of undeveloped financial markets.

In Victoria Falls, the meaning of structural adjustment and its compatibility with long-term development dominated discussions. Much like at Lusaka I, the role and approaches of the Bank and the Fund came under considerable scrutiny. The main contribution of Victoria Falls, however, was on the political economy of structural adjustment, the identification of social groups (internal and external), their specific interests that reform can promote or hurt, and the channels through which these interests are manifested.

2

Views on Structural Adjustment

According to one participant (Victoria Falls), structural adjustment is like virtue: no one can oppose it. In all five senior policy seminars, participants recognized the need for fundamental reforms to arrest economic and social decline and to provide a sound basis for promoting sustainable economic growth. The emphasis on sustainable growth implies, however, that adjustment involves medium- and long-term measures in addition to immediate (stabilization) policies.

Two interpretations of structural adjustment were identified during the seminars. The narrower definition viewed adjustment as aiming essentially at achievement of internal and external macroeconomic balances. The primary objectives are to promote a sustainable balance of payments and to reduce budget deficits. Bank/Fund-supported adjustment programs, according to participants in Victoria Falls, fall under this narrow definition: the Bank and the Fund concentrate excessively on the current crisis while neglecting longer-term development policies. Bank/Fund-supported adjustment programs include introducing price reforms to eliminate or reduce subsidies; reducing central government budgetary deficits; restructuring and rationalizing parastatals; liberalizing external trade; improving exchange rate policies; and providing incentives for the export sector.

Preoccupation with these policy objectives and instruments has been associated with several immediate social and long-term economic costs. These include reduced expenditure on infrastructure, public utilities, health, education, and other services; increased unemployment; deterioration in real per capita incomes; and inequitable distribution of income.

The second interpretation—more acceptable to participants—views structural adjustment as a means to address long-term development issues. Sub-Saharan African countries urgently need to adjust the structures of their economies to make them less vulnerable to external shocks and to enable them to respond more flexibly to such shocks. Structural adjustment programs should aim at integrating national and subregional economies, diversifying production, and building infrastructure.

Relieving a balance of payments constraint, for example, might be considered successful adjustment. However, will this mean successful and sustainable development? In some cases a budget deficit related to expenditure on production diversification would be preferable to a balanced budget.

The African policymakers admitted that while at an abstract level the distinctions between the two views are sharp, in practice, they are fuzzy and overlap. Many of the components of the more narrowly conceived structural adjustment programs are necessary elements of strategies aimed at more fundamental structural changes. In addition, many Bank structural adjustment programs, while focused on the narrower range of issues, are also concerned with supply-side issues and with institution building. In fact, much of the World Bank's project work from 1950s through the 1970s was motivated by the broader view of structural adjustment.

Differences between the two views, however, often translate into different practical approaches to resolving possible conflicts between short-term objectives and long-term goals. The narrower view leads to a marked preference for instruments whose purview is the short term. As a result, the reform agenda tends to be biased in favor of demand management rather than policies to affect the levels and composition of investment and output.

In most cases, African governments have been reacting to the World Bank and Fund proposals rather than developing their own programs of structural adjustment. Yet structural adjustment programs must be country specific, taking into account not only existing economic structures, but also nationally determined economic, social, and political objectives.

The Causes of Africa's Economic Crisis

The Bank and Fund, and African governments agree on the manifestations of the current economic crisis. The crisis reveals itself in unsustainable balances of payments and inflationary budget deficits; drastic declines in per capita output in key sectors (such as agriculture and industry) as the foreign exchange constraint becomes binding and incentives shift from production to rent-seeking activities; governments' incapacity to maintain expenditures for much needed social services (such as health and education); and incapacity of the economies to maintain existing productive infrastructure, much less to invest in new productive capacity.

However, as far as the causes are concerned, differences of perception or of emphasis exist. Of course, as one participant (Lusaka I) argued, correctly identifying the causes would neither resolve the crisis nor eliminate the need to undertake adjustment on an urgent basis. To most participants, however, focusing on the causes of Africa's crisis is useful because it can help policymakers design effective reform measures.

According to the Bank, the African crisis started in the 1970s when internal policy mistakes and adverse external developments combined to produce the current situation. The mistakes and developments include:

- rapid increases in public sector expenditure (including parastatals) without corresponding increases in public sector revenues;
- policy biases against agriculture, still the mainstay of African economies;
- declining domestic savings coupled with ready availability, in the 1970s, of concessionary and nonconcessionary external finance (the latter mostly supply-driven);
- overvalued exchange rates dampening the incentive for production and export. (In this context, the evidence suggests that for at least 30 African countries, the loss of market shares and export proceeds are more strongly correlated to the appreciation of exchange rates than to protectionism and movements in the terms of trade.)

The result was that with the second round of oil price increases in 1979/80, most countries were pushed to the wall. Adjustment became inevitable. The overriding aim of Bank programs for Africa has been, therefore, to restore incentives for production while addressing the public sector spending issue.

Participants fault the Bank's diagnosis for its scant emphasis on the impact of negative external factors. These are both causes of the crisis and obstacles to recovery, despite courageous adjustment efforts in some countries. Many of them see external factors in a commanding role. In this context, they consider the commodities problem, as well as instability in exchange and interest rates, to be major issues. When dollar devaluations compounds deteriorations in the terms of trade, the effect on export receipts for primary commodities is usually catastrophic. Madagascar (cloves) was used as an example in Lusaka II.

One participant (Lusaka I) even produced data to illustrate that the costs, over a six-year period, of negative external factors (long-term capital outflows, declining net service receipts, and falling export prices) exceeded the balance of payments deficit by some US $2 billion for the countries with representatives at the seminar. The sentiment that "Africa's rich natural resources are being exploited for the benefit of others" remains strong.

According to some participants, the Bank's diagnosis and emphasis on internal policy mistakes implies that a strong export promotion strategy based on comparative advantage is the only effective course of action. However, Africa's dependence on international trade is excessive. The economies are excessively sensitive to terms of trade movements because of the high ratio of import/export values to GDP. They are characterized by heavy dependence on primary exports, import-dependent production systems, externally oriented transport systems, heavy reliance on expatriate skills, and fragmented domestic markets. These structural weaknesses do not date from the 1970s. They are the result of economic structures inherited from colonialism and perpetuated by decades of ill-advised economic policies.

Thus, the current worldwide crisis neither creates nor removes the urgent need for adjustment. In this context, a strategy of risk minimization embracing a measure of self-sufficiency and import

substitution, even if contrary to the dictates of comparative advantage, would be desirable given unfavorable export markets for Africa's primary commodities. Efforts to accelerate industrialization hand in hand with agricultural expansion might also contribute to such a strategy. Interregional trade and cooperation, including eventual regional economic integration, is essential if economies of scale are to be realized.

Risk minimization should not be seen solely in terms of import substitution, but should also extend to export diversification if world prices for a country's traditional exports are expected to remain at a low level for a protracted period. However, participants were pessimistic about Africa upgrading its current role in the international division of labor (basically as a supplier of primary commodities) by this means. This role, they argued, is not in the long-term development interest of the continent.

According to one participant (Victoria Falls), there are increasing calls for developing countries to adopt a free trade, free access posture while protectionist sentiment is growing in the developed world. Zimbabwe, for example, is a significant and low-cost producer of ferrochrome with considerable excess capacity for beneficiation. The government sought various markets including the EEC. Faced with this direct competition, the EEC accused Zimbabwe of dumping. South-South competition also tends to nullify the developing countries' efforts, but the development of industries was dictated by the colonial masters, thereby leading to duplication and inevitable competition.

The Bank/Fund Approach

Participants credited the Bank, Fund, and international organizations in general with making African governments realize the urgent need to restructure their economies. Structural adjustment programs have promoted a move away from overly centralized systems of economic management to more flexible ones. However, some participants argued that the Bank/Fund approach boils down to a "single-country model" of policy reform. This can be explained, in part, by the excessive focus on internal policy mistakes. Africa's economic crisis must be situated in its proper historical and international context to be fully understood.

To one participant (Victoria Falls), the single-country approach facilitates (or is derived from) a vision of a world composed of deficit countries (not counting the more powerful deficit countries such as the United States) that need adjustment, and surplus countries whose policies are deemed appropriate. It is based on an image of the world in which commodity markets, capital markets, and so on are free and uncontrolled. Thus, a quasi-religious belief in liberalization as a panacea is made that much more credible. In the final analysis, however, the approach leads to a shift of the burden of adjustment of the world system to the least developed countries.

A basic weakness of this model is that it is particularly prone to the "fallacy of composition." In other words, policies prescribed for African countries, especially with respect to export promotion, would at times be self-defeating if carried out by all the countries. The model is also prone to conflicting policy advice: a participant (Abidjan II) presented a case in which policies recommended to Senegal in an attempt to reduce the budget deficit (removal of subsidies on rice, increased taxes on petroleum products) are being undermined by opposite policies recommended to The Gambia by the same institutions. Given the porosity of the borders between the two countries, leakages have been considerable.

More generally, the model is inherently incapable of accommodating a regional perspective in its policy prescriptions. Participants considered a coordination of development strategies at the subregional and regional levels as crucial for any meaningful restructuring of the African economies.

The perception remains that, despite the single-country approach the Bank and the Fund adopt, adjustment programs supported by these institutions exhibit uncanny uniformity across countries with only minor differences in detail. The belief in liberalization leads to a number of automatic responses: privatization (at least as a first line of attack against inefficient state enterprises); market-determined prices (including exchange and interest rates) in lieu of official or administered prices;

and promotion of free trade and free access. This led a working group on the politics of structural adjustment (Victoria Falls) to remark that:

> The hidden agenda of structural adjustment is to decrease the role of government while increasing the role of the private sector. This is not without risks. The political reality in Africa to date is that dictatorships are better able to implement externally imposed structural adjustment programs than democratically elected ones.[3]

According to other participants, uniform policy prescriptions may well derive from a tendency, inherent in the Bank/Fund approach, to confuse instruments with objectives. For example, discussions on industrialization strategies are invariably preempted by trade policies with a marked preference for greater liberalization of trade, lower real effective exchange rates, removal of quantitative restrictions, and uniform and generally lower tariffs. Trade policies, however, should properly be viewed as instruments for achieving nationally-defined industrialization objectives. These may well differ depending on resource endowments, the stage and pattern of industrial development, and the existence of a national entrepreneurial class capable of (and powerful enough to demand) a role in industry. Clearly, the Bank and the Fund should view Zimbabwe or Mauritius differently from Guinea or Chad.

Participants cited another example. The Bank insists that the issues in public resource management transcend the overall size of the public deficit to encompass the composition of the expenditure program. Nevertheless, the perception persists that in most (if not all) adjustment programs, reduced government expenditure is elevated to the status of an objective in itself. According to one participant (Lusaka II), however, from the perspective of governments, expenditures and fiscal policies are not simply instruments for managing demand, promoting economic growth, and ensuring economic efficiency and rational choice. The budget serves political objectives as well. It is an instrument for rewarding political supporters and punishing opponents. A participant argued that in Zambia, for example, the much needed social expenditures undertaken in the immediate post-colonial era led to the emergence of powerful groups with vested interests in the continuation of these expenditures. Therefore, attempting to cut expenditures overnight is both difficult and risky.

Furthermore, especially in poor countries, the budget is the only instrument that governments have at their disposal to relieve misery and suffering during times of economic crisis, such as now. In a crisis, the government may well be obliged to intervene, even if it means deficit financing. Jobs must be created, especially when the private sector is not dynamic. Expenditures on education and health have to be maintained. Targeted expenditures to protect the most vulnerable may be necessary. All this is in the interest of preserving social peace and reducing tensions.

The Bank/Fund Role

To one group of participants (Victoria Falls), any discussion of the role of the Bank and Fund must be widened to include other international agencies, such as the United Nations, the Commonwealth Secretariat, and the Lomé Convention grouping African, Caribbean and Pacific States and the European Economic Community (ACP-EEC), and other multilateral or bilateral arrangements. This is in recognition of the African perception that the Bank's, and especially the Fund's, "seal of approval," has become an absolute prerequisite for the mobilization of international resources. The use to which this leverage is put is viewed with appreciation in some quarters and resentment in others. However, resentments seem to emanate principally from participants' perception of Bank/Fund styles, which are discussed in the next section.

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3. The group's arguments seem to be that economic and political liberalization must inevitably go hand in hand. This is because (a) an increased role for the private sector is, in the long run, incompatible with political dictatorships; and (b) a decreased role for a government reduces its capacity to dictate. By insisting on liberalization, therefore, the Bank and Fund unwittingly undermine the very governments that, the historical record supposedly demonstrates, are most able to implement the imposed programs.

In appreciation, the Bank and, to a lesser extent the Fund, are credited with having made enormous efforts to assist in the transfer of resources to developing countries in general, and to Africa in particular. It is equally clear, however, that greater and more innovative efforts are required. These are critically needed, since resources at the disposal of multilateral institutions, such as the Bank and Fund, are inadequate to deal with the enormity of problems developing countries face. There is, therefore, a risk that aid will become increasingly bilateralized, thus endangering or marginalizing the multilateral institutions. The Fund and Bank can do better by providing more of their own resources. Participants (Lusaka I, Abidjan I) remarked that the Fund is currently a net withdrawer of resources from Africa. They also noted (Victoria Falls) that the credit repayment period for IDA assistance was recently reduced. These trends should be reversed.

Sub-Saharan Africa is a net exporter of capital, according to a group of participants in Victoria Falls. There is, therefore, a great need for increased mobilization of resources. The Fund and the World Bank not only have resources, they can help sell programs to donors on better terms than is currently the case. A number of issues must be tackled urgently. For instance, commodity markets need restructuring to improve the prices of exports. The Fund and the World Bank should also help find solutions to the debt crisis, which is crippling many developing countries (Victoria Falls). The Bank/Fund approach to important problems like indebtedness and terms of trade has been timid, at best (Abidjan II).

Participants viewed the Fund, specifically, as playing a role of intermediary between creditors and debtors (Abidjan I). It is a view that the Fund itself may well share, as suggested by a comment made by a Fund staff member (Lusaka II).

> The Fund is perceived by both creditor and debtor countries as being in the center of the debt issue. Creditors expect the Fund to ensure that debtors play according to the rules of the game by following prudent policies. The rest of the time, however, the Fund is treated with benign neglect.

At Abidjan I, a participant remarked that a large part of the external funds African countries obtain is earmarked for paying debts, which leaves little scope for adjustment with growth. This is true for both bilateral and multilateral aid. According to yet another participant (Victoria Falls):

> The current program with the Bank stresses stabilization and reduction of internal and external indebtedness. Little is allocated to investment. According to the Bank, meeting external obligations will lead to new inflows of resources. These resources, however, have yet to materialize. As a result, there is an important segment of the population for whom the adjustment program is simply aimed at enabling Comoro to pay its external debts.

In addition to the Bretton Woods institutions using their leverage to ensure adequate international resource flows, one participant (Lusaka II) suggested that the institutions should insist on more than economic reforms by African governments. The Bank could take steps to enhance national consensus and political stability—provided it could be do so without compromising national sovereignty—by working with the governments to establish an agenda for social and political change. Surprisingly, it was a Bank staff member who raised doubts about the wisdom of structural adjustment loans addressing such issues as land reform, democratization, and national consensus building as central objectives. The reasons given were that the Bank risks

- proliferating conditionalities;
- venturing into areas where it lacks competence and is confronted by a weak data base;
- ignoring the fact that policies in the social and political arena require a long-run perspective, while the instruments at the disposal of the Bank have a much shorter time horizon.

The Bank/Fund Style

Most participants (Abidjan I) perceived adjustment programs as imposed from the outside. Reminiscent of President Nyerere's reproach that the Fund had usurped the role of "finance minister of the Third World," both the Bank and the Fund are characterized as "having taken the role of those who should be designing recovery programs" (Victoria Falls).

To most participants (all seminars), African countries have only a superficial input into the design of structural adjustment programs. There are two reasons for this. First, some participants

granted that African countries lack the capacity for policy analysis, program design, and implementation. Others do not share this view. They argue that many countries possess considerable underutilized capacity that the Bank and Fund do little to promote (see chapter 3 for discussion of related issues). Second, the Bank/Fund style and the context of the negotiation process do little to enhance African countries' input into "fundamental decisions that affect their economies and their populations" (Victoria Falls).

The negotiation involves unequal partners. On the one side are the Bank and the Fund backed by their own resources, as well as their leverage with donors and the international capital markets. On the other side are African governments, many of whom postpone making necessary but unpopular decisions and thus allow crises to worsen. They thus enter into negotiations with their backs to the wall. The result is that "many countries today will agree to a program merely to acquire the Bank/Fund seal of approval so that aid disbursements will continue" (Victoria Falls).

Governments often initiate the policy dialogue. In most cases, however, the technical work is done in Washington, and Bank/Fund staff draft the letters of intent and of development policy (Lusaka I). In most instances, structural adjustment programs finally agreed on are, at best, negotiated modifications to initial proposals by these institutions. Furthermore, African governments now perceive policy framework papers as critically important documents. Many participants, however, regretted that their governments have no meaningful role in their preparation.

More generally, participants felt that African countries have very little voice in the two institutions. Participants (Victoria Falls) pointed out that the articles of agreement of the two institutions were signed after World War II and have not been meaningfully modified since. Africa needs greater representation at both institutions. In addition, the role of African executive directors needs further scrutiny. They should make frequent visits to their regions and must be people of high calibre.

Implicit in the recommendations of one group of participants (Victoria Falls) was African policymakers' perception of the danger that developed countries may well exert excessive influence on the policies of the Bank and Fund. Thus, they emphasized that "the Bank must not echo American foreign policy. It must not use aid for political purposes."

Participants felt that the Bank/Fund style does little to promote genuine dialogue. First, participants complained about the inordinate pressure for quick signing and/or review of documents. A participant said that for Mozambique (Lusaka II) the Bank and the Fund had more than three months to prepare the policy framework paper for discussion with aid donors. The government, however, was given only one night to analyze and comment on the document. This method of operating does not permit any meaningful dialogue or harmonization of positions.

Second, participants perceived Bank and Fund staff as inflexible. They exude unwarranted confidence in their policy prescriptions. Even when they admit to uncertainties (such as the extent of external resource flows to support adjustment and possible shortfalls in supply responses), there is the sense that the programs are generally correct. Above all, they do not modify rigid performance criteria sufficiently as a result of unforeseen developments. The typical program is biased toward impressive performance criteria, such as inflation reduction. The speed of change required is usually too rapid considering the volume of resources available to support the program. The speed of adjustment and the very trauma of change, however, may well lead to the program's failure, however well conceived it may be.

Confidence in their policy prescriptions does not translate into eagerness, on the side of the Bretton Woods institutions, to share the blame when programs fail. To one group of participants (Victoria Falls), these institutions "should also share the responsibility for their programs, such as the political instability that usually ensues."

Third, participants (Lusaka I, Abidjan I) generally agreed that the Bank and Fund, at times, give conflicting policy advice or adopt different stances on the speed and sequencing of policy reform. They were not unanimous, however, on the benefits to be derived from closer coordination between the Bank and Fund. To almost all participants, any coordination should be on the Bank's terms. Otherwise, "the Bank must function independently of the Fund. This will aid other (regional/bilateral) assistance to continue even after the relationship with the Fund has ended" (Victoria Falls).

To summarize, resistance to Bank/Fund-supported adjustment programs in Africa, according to participants, derives from the following:

- genuine doubts that the programs will work as intended;
- a belief that, given the narrow definition of structural adjustment that the Bank and Fund subscribe to, the social, political, and long-term economic costs would be unacceptable;
- a perception that entrenched groups both within and outside Africa have every interest in resisting change.

African policymakers are unanimous that structural adjustment loans have promoted a number of positive reforms in both economic policymaking and in institutions. A surprising number of them, however, assess the impact of these reforms on the economic performance of the African economies as at best marginal. This is true even for the limited objective of reducing external and internal macroeconomic imbalances.

To be sure, they place the greatest blame on the hostile international economic environment for the unsatisfactory results. Many, however, also question the efficacy of the medicine. Others argue that current designs of reforms do little to enhance veritable ownership of adjustment programs, nor are they just. Sustainability of reform is therefore likely to be a continuing problem. These views were, perhaps, best summarized by a working group in Abidjan II. It characterized adjustment programs as follows:

- the quasi-unilateral and doctrinaire nature of the design;
- the lack of coordination between funding organizations;
- the incoherence and unrealistic nature of the programs and their lack of adaptation to country aspirations and objectives;
- the timid approach to important problems like indebtedness and terms of trade.

3

Discussion of Substantive Themes

Country teams at each of the seminars were asked to prepare and present thematic case studies on their country's reform experience to be used as a basis for discussions and exchange of experience. Paralleling papers prepared by EDI staff, the themes were exchange rate policies and regimes, restructuring agricultural marketing and prices, reform of trade regimes and industrialization, restructuring parastatals, restructuring public expenditures, and the management of aid and debt. For each country case, participants were to make the political economy of the reform experience an explicit focus of the presentation. This chapter summarizes the main messages that emerged in the discussions of these substantive themes.

Exchange Rate Policies and Regimes

Many participants (Lusaka I) emphasized the need to "depoliticize the exchange rate." The message was addressed primarily to advocates of no devaluations. However, the general sentiment that emerged in all the seminars was that an effective exchange rate policy and "getting prices right" were not a panacea, but as one participant suggested, getting prices wrong certainly would not help.

Developing countries (CFA zone countries excepted) have more freedom to resort to exchange rate adjustments than industrialized countries. The latter are constrained by fears of retaliation (Abidjan I).

An active exchange rate policy hinges on sound demand management and monetary policies (Abidjan I and II, Lusaka II). Given the interaction between the exchange rate and other policies, tampering with the exchange rate makes no sense if other policies are inappropriate and other imbalances are not brought under control. The risk is an inflationary spiral and further downward pressures on the exchange rate. The danger is that the apparent failure of an active exchange policy, in isolation, may lead to the instrument being viewed as useless in all other contexts (Victoria Falls).

Most participants (all seminars) did not support use of the exchange rate as a means of enhancing the international competitiveness of African production. They expressed concern about low price elasticities of demand for African exports. Most participants felt that international commodity agreements and other quotas also restrict African export opportunities.

At times, participants argued (for example, for Malawi in Victoria Falls) that the high import content of African production negates or significantly reduces the impact of devaluations on the profitability of tradeables. This suggests a perception that most productive activities (including traditional exports) are characterized by zero or negligible value added at world prices. A few participants were not nearly as pessimistic, however. Historically, African countries have experienced a substantial increase in the import intensity of production and consumption, which is partly the result of undervalued foreign exchange. Rural transport, for example, tends to rely heavily on imported motor vehicles and gasoline. By contrast, transport was much less import intensive in Asian countries at similar levels of per capita income. Similarly, imported cereals had displaced locally grown cereals in Africa. Therefore, locally grown food and local raw materials can likely substitute effectively for imported goods under realistic price conditions (Lusaka I).

These same participants, however, invariably pointed out that the effects of devaluations on exports and their diversification, the import content of domestic production, and the balance of payments are agonizingly slow for most African countries. The effects are not automatic. In the short run, many potentially viable activities may be jeopardized as a result of lack of liquidity or credit to purchase the needed foreign exchange (Ghana, Abidjan II). More generally, attaining the maximum impact of a devaluation on exports presupposes the existence of meaningful excess capacity in the economy's export-producing sectors. Other nonprice obstacles or constraints on

supply responsiveness may also need to be removed before capacity utilization can be increased. These include inadequate physical infrastructure, marketing bottlenecks, and absence of suitable technical packages.

Irrespective of the exchange regime, most participants endorsed the use of an active exchange rate policy as an instrument for equating the supply of and demand for foreign exchange. With grossly overvalued exchange rates, administrative systems of foreign exchange allocation ultimately become cumbersome and difficult to manage. At the very least, an active exchange rate policy facilitates equal access to foreign exchange for all potential importers and eliminates rents. It reduces opportunities for corruption (Lusaka II). An active exchange rate policy can also enhance economic efficiency by ensuring that scarce foreign exchange is channeled to the most profitable uses.

Some participants, nevertheless, expressed misgivings about an active exchange rate policy based on this rationale. First, a realistic exchange rate is easier to define in the abstract than to establish in practice (Lusaka II). Second, an equilibrium exchange rate does not discriminate among different imports and exports or among different groups of consumers and producers (Lusaka I). This view was expressed in much stronger terms in Abidjan II: the exchange rate is a "blind" instrument. In this context, the impact on the urban poor is of particular concern. Third, monopolies dominate the economies of most African countries. In such a context of severe market imperfections—and external economies and diseconomies associated with certain types of consumption and production—profitability is not necessarily a good guide. In particular, a strong case can be made for differentiated measures to allocate foreign exchange (Victoria Falls).

The debate on exchange rate regimes led to the following consensus:

- Market-determined exchange rates—auctions, interbank markets—are most suitable for situations in which exchange rates are greatly distorted, making determination of a realistic rate difficult. Foreign exchange auctions and interbank markets are acceptable transitional regimes (Lusaka I).
- The main virtues of auctions and interbank markets are that they are decentralized systems of foreign exchange allocation, and tend to depersonalize and depoliticize the exchange rate. Modified auctions, such as the *Régime d'Importations Libéralisées* in Madagascar, can lead the general public to have greater confidence in the banking system. In this particular case, it led to the elimination of corruption in the allocation of foreign exchange (Lusaka II).
- To ensure realization of the benefits of auctions, they must be credible. This requires confidence on the part of participants that auctioning is not just a temporary expedient. Rules have to be transparent. Monopolistic elements have to be controlled (Lusaka I).
- Auctions can be risky. The main risk relates to exchange rate instability, which makes all forecasting treacherous and works as a powerful disincentive to productive investment. Amounts of foreign exchange made available for auctioning have to be determined with a view to avoiding instability. Some African experiences (Zambia's, for example) were unsuccessful because auctions were underfunded. This particular case raised the question of who should bear the risk should the rate change dramatically between the time of successful bids and the release of foreign exchange through the auction pipeline (Lusaka II).

Lack of adequate funding of auctions, donor inflexibility, and complex rules about the use of funds made available by donors could disrupt auctions. In this context, more than one participant remarked (Zambia, Ghana) that the use of Bank funds channeled through auctions and earmarked for specific sectors are not among the most ideal types of auction funding. The procedures imposed for the release of credit tranches tend to cause inordinate delays in the use of such facilities.

African experiences with auctions demonstrate that an auction system does not automatically eliminate excess demand, and thus a parallel market for foreign exchange. In Zambia's case, partly because the auction was inadequately funded, all resources put on auction were exhausted every week (Lusaka II). In Ghana, the parallel market premium has been shrinking. However, the gap has narrowed because the official (auction determined) rate has tended to move upwards faster than the parallel market (Abidjan II).

Fears that auctions can be a means for massive transfers of resources abroad and/or can encourage conspicuous import-intensive consumption do not seem to have been realized. In Zambia, resources obtained through the auction were invariably put to productive uses.

Furthermore, private bidders (as opposed to the public sector) tended to obtain a larger portion of foreign exchange than before the auction was instituted (Lusaka II).

In Nigeria, the auction-determined exchange rate has had salutary effects. There are clear signs that surviving firms are generating sustainable supply responses. Industries such as those involved in manufacturing paper, beer and stout, textiles, leather products, soap and detergents, and in food processing, have made significant progress in using local raw materials and have experienced a boost in their activities (Abidjan II).

In Madagascar, an unintended result of the Régime d'Importations Libéralisées has been the progressive disappearance of small and medium enterprises, under the weight of competition, in favor of larger firms. However, the development of small and medium enterprises had been the cornerstone of the government's development strategy, the means to break the stranglehold of foreigners and to integrate nationals into the economy (Lusaka II).

Liberalization, Private Sector vs. Public Enterprise

Consensus on liberalization proved elusive in all seminars. In Lusaka I, for example, participants did not agree on the relative merits of freely determined market prices and administered pricing. Liberalization has its positive aspects, according to most participants. In Madagascar, for example, the psychological impact of liberalization has led to increased production and transactions (Lusaka II). For other participants, trade liberalization is a way to introduce competition that could enhance productivity.

Many participants, however, do not share the Bank's "religious belief in liberalization as a panacea." Governments have a legitimate role in directing economic activity, and equating government control with inefficiency is unwarranted. Some African governments have relied on extensive systems of controls with reasonable success. Zimbabwe is a case in point.

Liberalization is unlikely to be taken seriously where fears of possible exploitation of the rural masses by "shrewd Asians" persist. When applied to wages (decontrol of wages and salaries), liberalization is also likely to be dangerous. The reality in most African countries is an unequal balance of power between employers (mainly the government) and employees, who are usually not represented by trade unions (Victoria Falls).

Whatever its merits, the passage from a centrally planned economy to a liberalized one in which the market mechanism is given freer rein is politically and technically difficult. In a transitional phase, given scarcities hitherto masked by price controls, prices inevitably rise sharply. In the medium term, and especially with increased competition from imports, prices can be expected to decline somewhat or to rise less rapidly.

Participants voiced concern about the short-term costs of liberalization. Given labor immobility, forcing inefficient firms to shut down is unlikely to be politically acceptable. Pent up demand for imports would also lead to serious implications for the balance of payments (Lusaka I).

Participants were particularly skeptical about the benefits of liberalizing internal financial markets by eliminating domestic credit controls, credit rationing, interest rate ceilings, and so on (Lusaka II, Abidjan II). How useful is the interest rate in determining the allocation of investible resources where financial markets are undeveloped, one participant asked (Lusaka II). It is ironic that with negative interest rates in Uganda, banks are characterized by excess liquidity to the point that many actually refuse new deposits (Lusaka II).

In Ghana (Abidjan II), the priority sectors are complaining of inadequate bank credit, whereas the funds being released as a result of the government's debt repayment to the banks are meant to augment the resources that could be made available to these sectors. A major reason for this is that having abolished sectoral credit controls under the Fund Standby, an undeveloped banking system such as Ghana's—mainly commercially oriented in its lending—has naturally favored domestic trade and import financing. The implication of this for the growth (participant's emphasis) objective is obvious.

Another cause for concern in Ghana is that having freed interest rates in the hope that a more realistic structure and level will emerge in a market situation, the actual outcome is that deposit-

taking banks are now paying interest rates on deposits that are much lower than the lowest rate before interest deregulation, while charging as much as 20 percent more than the highest lending rate before interest deregulation.

While solving these problems will require the Government of Ghana to address certain institutional shortcomings (currently being done in the context of a financial sector adjustment program), many Ghanaians, both within the government and outside, think that some of the prescriptions in the program were either introduced too soon or in the wrong dosage.

Participants were even more skeptical about the wisdom of liberalizing external financial markets by such means as removing exchange controls or eliminating barriers to the entry of foreign banks. This is due to fear of capital flight. In Zimbabwe, for example, as a result of perceived risks of liberalization, policymakers do not consider an immediate removal of import controls, a substantial devaluation, and a relaxation of currency regulations as serious policy options.

Most participants considered the timing and phasing of liberalization, as crucial. In particular, does liberalization make sense when severe macroeconomic distortions exist? What (trade, capital movements, food prices) and how quickly do you liberalize? Should a country time liberalization to coincide with a bumper crop or a massive inflow of external resources?

With respect to the private sector vs. public enterprise debate, participants again stressed the historical perspective. Parastatals emerged in the immediate post-colonial era. In the absence of a powerful private sector, the state had to intervene in several economic activities (Abidjan I). Also, foreign aid fostered many parastatals (Lusaka II). Parastatals are viewed in many parts of Africa as the only means to avoid total foreign domination of the economies. This is because Africa lacks an enabling environment for indigenous entrepreneurs, who are also hampered by undeveloped capital markets.

The private sector in Africa, or the sector's most dynamic segment, is invariably foreign-owned. Thus, to many governments (and the vast majority of the population), promotion of the private sector is synonymous with the promotion of foreign private interests. In any case, the current inflow of private investment in Africa is barely a trickle. Furthermore, participants were concerned that rather than reinvesting, established foreign-owned firms—mainly of Asian or Lebanese origin—act in ways that lead to an outflow of resources.

Dependence on foreign private capital is also risky. For example, the case of Mozambique may be extreme, but private enterprises were abandoned en masse at independence (Lusaka II). Madagascar, however, is convinced of the possibility of peaceful coexistence between the private and public sectors. However, Madagascar would want to create an indigenous private sector to counter domination of the economy by the Asian community.

Despite the underutilization or underestimation of actual or potential entrepreneurial inclinations of the indigenous private sector in most African countries (Lusaka II), even when obstacles have not been placed in its path, the sector's record has generally been less than spectacular. This is not surprising. Next to the better financed public enterprises, the technology, facilities, and marketing and accounting expertise of indigenous private enterprises are rudimentary. The enterprises are also victims of the crisis-induced degradation of the general macroeconomic environment.

Participants concluded, therefore, that the private sector has been excessively romanticized. In many countries, the continued role of governments in the economy derives from the absence of an indigenous private sector in directly productive activities (especially manufacturing) as opposed to import/export and rent-seeking activities (Lusaka II). Even in the area of trade, the private sector, perhaps not too surprisingly, tends to concentrate in urban agglomerations. Thus, according to one participant (Abidjan II), only the state has an interest in supplying the rural areas, where 85 percent of Mali's population lives.

Participants recognized widespread performance and efficiency problems within parastatals. Case study after case study cited the shortcomings of parastatals in detail. These include poor project choice, undercapitalization, weak management, lax cost control, overstaffing, accountability problems, large operating deficits, and failure to meet social and economic objectives. However, participants did not regard these performance problems as proof of a congenital structural deficiency of state enterprises. Some state-owned enterprises are efficiently run and meet their objectives.

Participants thought that to establish the causes of poor performance, it was necessary to go beyond enterprise-specific policies. According to them, the main causes include the macroeconomic policy environment (exchange rate, foreign exchange allocation mechanisms, tariff policies); sectoral policies (especially price policy); the relationship between state enterprises and government (obligation to pursue noneconomic objectives, political interference, lack of managerial autonomy, and so on); as well as enterprise-specific policies (Lusaka II).

The first priority in a number of countries (Madagascar, Senegal, for example) is not to develop the private sector, but to reform public enterprises. Reform experiences to date suggest that no simple solutions or quick fixes, such as privatization or divestiture, are available. There are powerful social and political constraints to divestiture. Governments are often not willing to see minority ethnic or social groups gain advantages, or to see workers laid off. Even where governments are receptive to divestiture or privatization, their private sectors are often hampered by their smallness, lack of capital and experience, and unfavorable business and investment climates.

At the enterprise level, the development of a cadre of competent managers must rank as a high priority (Lusaka II). New legal and institutional frameworks are needed to regulate relationships between the government and parastatals (Abidjan I). In the long run, ad hoc, piecemeal, enterprise-by-enterprise approaches will not succeed. Parastatal reform requires an integrated package of measures. The evidence strongly suggests that if macroeconomic signals are distorted, micro-level reforms are doomed from the start. The success stories are those in which structural adjustment programs provided the correct macroeconomic environment for public enterprise accompanied by sectoral and technical assistance projects (Lusaka II).

Agriculture and Industry

With very few exceptions (Zimbabwe, Kenya, Côte d'Ivoire, Malawi), participants shared the assessment that the performance of African agriculture during the past two decades has been disappointing. Of all the indices of bad performance, the most alarming has been the sector's inability to provide food security.

Among the causes for poor agricultural performance, participants invariably agreed that contributory factors are (a) overvaluation of exchange rates, (b) heavy taxation (directly through low producer prices and indirectly through overvaluation of the currency), and (c) inefficiency of the state monopolies entrusted with marketing agricultural produce.

Governments could alter policies to support agricultural production and exports more effectively (all seminars). In this context, participants insisted that the heavy taxation of agriculture per se is not the issue (Abidjan I and II); government expenditures also need scrutiny. In the final analysis, the issue is the extent to which social and infrastructural expenditures support agricultural development, and thereby redress an excessive urban bias where this exists (Abidjan I).

Participants generally accepted that price incentives and liberalization of marketing systems could help improve performance. However, these policies are not without risks, nor are they sufficient.

The benefits of increasing producer prices arise because increases in rural incomes help to enlarge the domestic market for industrial products, and hence, to bolster industrialization (Abidjan I). Moreover, higher producer prices help to maintain and/or increase export shares for agricultural products, although some participants asked if already glutted global export markets could absorb additional production, especially in view of continuing U.S. and EEC producer subsidies (Lusaka I). Equally important was the timing and reliability of payments to producers from year to year.

However, in some countries where producer prices have been significantly increased, peasant differentiation is accelerating (Victoria Falls). In Zimbabwe, for example, government policies have had a different impact on those peasants who are net buyers rather than net sellers of food. Farm laborers without access to land have been particularly hard hit. This suggests targeted policies to alleviate the negative impact on vulnerable groups.

Not all participants thought that privatizing marketing systems was the best way to ensure higher prices for agricultural producers. For example, one participant (Victoria Falls) insisted that all should recall that in Zimbabwe, even during colonial days, private traders always paid lower prices

to farmers than government prices. This also seemed to be the case in Malawi, where farmers accuse private traders of unfair practices, namely, of buying at low futures prices, hoarding, and later charging exorbitant prices. He argued that the private sector pays a competitive price only when deprived of a captive market, which only occurs when a marketing board moves in.

Participants cited two other risks associated with privatizing the marketing of agricultural products. First, the inability or unwillingness of private traders to supply statistics on their activities, as is the case in Malawi. As a result, the government knows less about smallholder agricultural activities than before privatization. Second, the pricing of agricultural commodities, a key policy instrument at the disposal of governments, can no longer be relied upon. For these reasons, most participants saw a continuing role for marketing boards. At a minimum, they endorsed marketing boards as buyers of last resort.

Participants emphasized that the problem of smallholder African agriculture—by far the most extensive sector—is basically technological. Improved methods of cultivation; improved seeds; and a variety of complementary factors, such as extension, research, marketing, and infrastructure, are urgently needed. In view of this, most participants doubted whether long-term agricultural development can be promoted through structural adjustment programs as currently designed. According to one participant (Victoria Falls), most of the reforms undertaken "have been in the spirit of reducing the burden on the treasury," that is, privatization of marketing, price liberalization, and removal of input subsidies. In Malawi, for example, removal of input subsidies has led some farmers to revert to traditional seeds rather than high-yielding varieties, which need a lot of fertilizer.

The main lessons to emerge from Zimbabwe's experience are that supply responses do not depend only on prices, but also on the adequacy of rural infrastructure. Programs that insist on lower government budgets in a context where investments are sorely needed may therefore be self-defeating. Subsidies to large milling companies were a way to transfer resources to the rural sector. In particular, they made it possible for farmers to sell their corn to large milling companies and to buy milled maize cheaply. However, this was done at the expense of small millers. In addition, government underwriting of a small-scale credit scheme was important.

Beyond policies specific to the agricultural sector, participants cited industry as a crucial complementary sector to agriculture. Yet most adjustment programs, while stressing agriculture, neglect the need to reorient industrial strategy so as to make industry supportive of agricultural development. Industrialization in Africa dates back only to the early 1960s. Industries started as a result of import substitution strategies. To many participants, import substitution industrialization was a historical necessity, based on the need to diversify the economies away from overdependence on monocrops (for example, sugar in the case of Mauritius).

Participants acknowledged that African industry tended to be inefficient and in need of improvement. Long protected infant industries had not proved internationally competitive in many cases. The industrial sector in some countries had developed into a high-cost, low-growth, inefficient consumer of foreign exchange.

For almost all countries protective barriers for industries were deliberately and consciously created. The exception is Zimbabwe, where World War II, and later, the aftermath of the Unilateral Declaration of Independence, permitted industries to develop under temporary "natural" protection. In between, the formation of the Federation of Rhodesia and Nyasaland, by eliminating trade restrictions and tariffs between three unequal partners, ensured Zimbabwe (then Southern Rhodesia) an increased market for manufactured goods.

Zimbabwe exemplifies what many participants believed were the necessary ingredients for successful industrialization in Africa. These are continued protection of genuine infant industries, and larger markets for manufactured products within the context of subregional economic groupings. In addition, industries should be reoriented toward greater labor intensity and use of local resources and inputs, and should stress activities that have strong linkages with the rest of the economy, particularly agriculture. They also expressed interest in small-scale enterprises.

Local capacity must be restructured not only to withstand competition from imports, but to support an export orientation. However, participants were doubtful about the viability of increasing industrial exports to global markets that were themselves highly protected in many cases (Lusaka I). In this context, many participants felt that the case of Mauritius is the exception that proves the rule.

First, its success could, to a great extent, be attributed to the "Hong Kong factor,"[4] even if the sector has rapidly evolved from its start as a largely foreign-owned enclave. Second, feelings persist, even in Mauritius (Lusaka II), that the export manufacturing sector is not securely grafted to the economic structure, despite the fact that, in gross output terms, manufactured exports currently rival sugar. The sector—and especially the textile branch, which forms the bulk of activity in manufacturing—is extremely vulnerable to exogenous shocks.

Most participants agreed that any program of industrial restructuring should promote local ownership. Compared to parastatals, foreign-owned firms, or firms owned by citizens of non-African origin, the promotion of smaller-scale indigenous firms would bring widespread benefits, including less repatriation of profits and more local employment (Lusaka I). Indeed so strongly did participants feel about this issue, that one participant (Lusaka II) warned that Mauritius risked "ceding national sovereignty" to transnational firms whose main interests are the perpetuation of unequal distribution of value added from the fruits of export manufacturing. The real success story in Mauritius is not the spectacular growth of the industrial sector, but the inroads that nationals have been able to make into the sector: national ownership currently stands at around 30 percent.

Management of the Public Sector

Participants (Lusaka II) identified three priority objectives for the reform of public sector management, namely, reforms should:

- facilitate demand management,
- promote the accomplishment of structural changes required for medium-term growth,
- ensure that public sector intervention promotes social equity while providing a safety net for the most vulnerable groups.

In terms of ranking, however, participants left no doubt that fiscal deficits that might result from the pursuit of the last two objectives should not be particularly bothersome. Thus growth, according to one participant (Abidjan II), should be the goal of all adjustment: debt service should just be the residual.

According to some participants (Lusaka I), the size of any of the following four variables, the fiscal deficit, the GDP growth rate, the rate of inflation, and the balance of payments, are predetermined once targets for the other three are established. The Bank/Fund approach consists of setting targets for the fiscal deficit, rate of inflation, and the balance of payments. The GDP growth rate then appears as the residual because, according to these institutions, governments should look to private investment, not the fiscal deficit, as an engine of growth.

In addition to reform of public enterprises, recent adjustment programs in Africa have focused on four main areas: debt management, aid coordination, civil service reform, and public expenditure restructuring. This agenda seems to be derived directly from the Bank's evaluation of the dimensions of the public sector management problem in Sub-Saharan Africa. This view emerged after presentations made by Bank staff and is considered by the Bank as generally valid. The Bank's reform agenda is based on the following:

- Fiscal revenue is rapidly reaching the upper limit of what is supportable without the risk of economic distortions and a dampening effect on incentives for production. This suggests (to the Bank) that, given the economic base, public sectors in Sub-Saharan Africa are probably approaching their maximum supportable size.
- The imperative of revenue restructuring is not to increase revenue generation, but rather to enhance economic rationality and efficiency through fiscal policy.
- Policies on subsidies should be more selective.
- The public sector wage bill has risen much too rapidly in recent years. Rationalization of public sector wages and employment policies is essential if resources for maintenance and

4. This refers to uncertainty in the Hong Kong business community about the eventual transfer (1997) of sovereignty of the colony from Britain to China. As a result, Mauritius has become a haven for subsidiaries of Hong Kong-based firms.

other recurrent costs are to be made available. In this regard, governments cannot implement capital investment programs without considering the implications for recurrent expenditures.

- External forces play a significant role in determining the pattern of public expenditures, and/or making it difficult for governments to exercise budgetary discipline. For example, certain donors have vested interests that manifest themselves in a preference for capital projects and an unwillingness to finance recurrent expenditures (Lusaka II).

Participants fully endorsed the agenda for reform. However, to most of them, the reasons for the current situation—and by extension the speed with which restructuring can take place—must be placed in their proper historical context. During the colonial period, expenditure levels for social services were simply unacceptable. Thus, newly independent African countries were faced with the need to build up rapidly health, education, transport, and other social infrastructure. In many countries, Mozambique, for example, much still remains to be done (Lusaka II). Other governments inherited public sectors whose decline was of a much more recent origin—Ghana, Uganda, Guinea—while in other countries (Zimbabwe, Ethiopia) the public sector imperative is to redress the imbalance in the provision of social services in favor of the rural poor.

Participants accepted that despite obvious needs, very hard choices cannot be avoided. There are, however, certain prime candidates for closer scrutiny. Among these are reforming the civil service and cutting the size of the public sector wage bill.

Participants viewed civil service reform as a particularly complex and politically sensitive issue. They considered solutions such as across-the-board wage freezes or cuts, and/or employment reductions to be unsatisfactory. According to one group of participants (Victoria Falls), laying off civil servants to reduce wage and salary expenditures is a socially and politically unacceptable option, unless retraining and alternative job opportunities are available. They emphasized, however, that the context is one of general economic decline and a severe squeeze on central government resources for retraining and paying of termination allowances. International organizations that propose this solution have never satisfactorily addressed the issue of what to do with civil servants declared redundant.

The same participants also pointed out that advocating salary freezes is difficult when, in many cases, real wages have been eroded for a decade or more. Such policies may turn out to be counterproductive if they initiate a brain drain from the public sector just when the challenges of managing the public sector are the most formidable.

Participant after participant stressed that, currently, few areas in public expenditure restructuring are amenable to quick fixes. By and large, reform measures such as the elimination of ghost employees and various forms of waste and corruption have been successfully carried out (Zaire, Lusaka II). Some possibilities may exist for eliminating some "unnecessary" workers—especially at the lower levels—and changing employment benefits so as to reward those with scarce skills and abilities more amply, but the scope is bound to be severely limited.

Participants confirmed that attempts at reducing fiscal deficits in recent adjustment programs have focused on the expenditure side. In addition to holding the line on the public sector wage bill and reducing subsidies to parastatals, consumers, and farmers, cost recovery plans for various social services such as health and education have been proposed (Lusaka I). Attempts are being made to protect maintenance and rehabilitation expenditure.

New investments have been the most severely hit. This led many participants to question whether current adjustment programs are not excessively short-sighted. Participants (Lusaka I, Victoria Falls) argued that borrowing now to finance development investments would yield results in the future, and that such investments from a low economic base require deficit financing.

The general freeze on new investments financed through the central budget has meant that aid flows have been critical for financing new investments (Lusaka II). This has not been without risks. Investments in Comoro, for example, have been a mishmash of donor-financed projects that invariably escape control by central authorities. Each project has its own budget, contributes little to state revenues (the result of generous duty-free privileges), and often leads to recurrent expenditures that are not adequately provided for (Victoria Falls).

External Resource Mobilization

Aid coordination, increasing inflows of concessional aid, and measures to alleviate the African debt burden dominated discussions on external resource mobilization.

Participants (Lusaka II) supported the general thrust of the Bank's attempts to ensure aid coordination through consultative group meetings. They also noted, however, that these attempts necessarily elevate policy framework papers and negotiated public investment programs as critical documents and tools for identifying needs. For this reason, the importance of genuine government inputs into their formulation cannot be overemphasized.

On capital flows, participants (Abidjan I) observed that concessional flows in the 1980s rose but slowly, and that commercial flows were drying up. Net flows (net resource transfers, including interest payments on external debt) had turned negative by 1985. The debt overhang has affected some countries severely. This has been compounded by a lack of reliable data and the absence, in most countries, of a central debt coordinating entity to ensure accurate management of the growing debt problem. Key officials spend much valuable time in debt negotiations.

A large part of the African debt is owed to the World Bank or the International Monetary Fund. The latter, with the exception of the new Structural Adjustment Facility, is essentially short-term stabilization credit at relatively high cost. Some African countries have had to borrow very heavily from this source, yet the pace of their adjustment and/or export recovery has been slow. The heavy burden of these nonreschedulable credits in the debt structure considerably complicates the picture when countries seek debt relief. In view of this, one participant (Lusaka II) explicitly questioned the appropriateness of the Bank and Fund's insistence on being accorded privileged creditor status in a context where the external environment plays havoc with African export earnings. Why, he asked, is it inconceivable for countries undertaking serious reforms to link their Fund repurchases to recovery in export earnings?

New approaches, fresh ideas, and bold initiatives are needed to reduce the debt burden of African countries (all seminars). It was in this light that an official from the African Development Bank (AfDB) presented proposals for alleviating the African debt problem (Abidjan II). The AfDB perceived the following criteria as desired by debtor countries and creditors:

For the debtor country

- there must be a reasonable expectation that the debt can eventually be repaid,
- debt service should not exceed a reasonable percentage of annual foreign exchange earnings,
- the program must be based on reliable projections,
- there must be a mechanism for countries to establish a credit rating.

Creditors must be assured that they

- will be treated equally,
- will be repaid,
- can benefit from any improvement in a debtor country's financial position,
- can still be influential partners in development.

Based on these criteria, the AfDB proposed that, as a first step, a country's debt stock (except for debt granted by multilateral organizations or debt on highly concessional terms) should be converted into long-term securities of at least 20 years, to be redeemed with a single payment at maturity, at a rate of interest below market rates.

At the outset, the debtor country and its creditors would review the country's export earning capacity and identify resources that the government could use to cover the debt. These resources would be deposited annually in a redemption fund that would earn interest at the coupon rate, allowing the country to redeem the bond at maturity. Facilities to accelerate payments, if desired, or to enable debt-to-equity swaps would also be available.

A board of trustees, consisting of donors and representatives of the debtor country, would manage the redemption fund. This body could allow smaller payments into the fund if a country's economic performance deteriorated, or increase payments if it improved. Discipline would be built-in, since some of the trustees would be donors in a position to grant or withhold new credit.

Participants' (Abidjan II) reactions to these proposals were largely positive. One participant characterized them as a good alternative to the "palliatives" of the Paris and London clubs. He wondered, however, if this solution would tend to close (or at least narrow) the pipeline of further capital flows.

The Political Economy of Structural Adjustment in Sub-Saharan Africa

Members of a working group (Victoria Falls) were asked the following question:

> It is the economic crisis affecting all African economies since the late 1970s that has had a negative impact, not the adjustment programs that have been adopted to address the crisis. Without structural adjustment the social impact would have been much worse. Do you agree?

The group's response was unanimous. Adjustment programs in Sub-Saharan Africa have invariably addressed the following areas: reducing central government budget deficits; restructuring and rationalizing parastatals; reducing or removing food subsidies; liberalizing external trade; improving exchange rate policies; and providing incentives for the export sector. Preoccupation with these policy objectives has been associated with several social costs, including increased unemployment; deterioration in real per capita incomes; increasingly unequal distribution of incomes; and reduced expenditures on infrastructure, public utilities, health, education, and other services. The deterioration in income distribution echoed participants' concern about rising peasant differentiation, and was an implicit admission that the costs and benefits of adjustment have not been equally distributed.

Indeed, in all the seminars, participants insisted that structural adjustment involves significant social costs, leads to identifiable losers and winners, and thus requires careful political management. Prior to implementing structural adjustment programs, therefore, policymakers would be well advised to weigh the benefits of these policies against the social costs in the light of the country's particular circumstances. The task is complicated because governments often lack an adequate theoretical and/or empirical basis for assessing the specific impact of programs. Moreover, structural adjustment loans are a relatively new instrument for governments. They have yet to fully comprehend how they work or are supposed to work, and the interaction between various policy instruments and objectives.

Yet a key ingredient in the sustainability of reform is governments' credibility and the confidence that "the economic policymakers know what they are doing." This condition is also critical for the population to perceive an adjustment program as being their own as opposed to externally imposed.

Therefore, according to one participant (Lusaka II), a gradual and sequential approach to structural adjustment is called for. Such an approach would satisfy at least three objectives: avoiding possible debilitating consequences of rapid and dramatic action, such as import strangulation; giving policymakers and analysts the necessary learning period to fully understand the reform process, and to make mid-course corrections as necessary; and minimizing the social costs of adjustment.

Participants (especially in Lusaka II) admitted that while a gradual approach may be more socially acceptable, the quick supply responses needed to improve the population's standard of living may well require a more vigorous approach. However, participants stressed that gradualism should not be at the expense of the comprehensiveness of programs. They argued that, in general, linkages between policy instruments require programs to address a broad range of issues to be effective.

A gradual approach reduces the risks of irreversible set-backs in implementation. However, a number of other factors also determine whether implementation will succeed, namely:

- authorities must have room for maneuver;
- all social and political groups must understand the issues at stake and accept that they are important;
- quick results, especially in agricultural output and the availability of food, are crucial;
- minimum social services must be protected;
- the implementation process and its results should be monitored constantly;
- the government should continuously strive to mobilize public support for the program;

- governments should be guided by realism when designing, packaging, and presenting a program to the external community. They should not promise more than is feasible, but should insist on a level of external assistance necessary to sustain the program.

Another group (Lusaka II) expressed similar sentiments. According to this group, to ensure sustainability of reform, the population, beginning with the political leadership, must be better informed. Incentive measures are also necessary to ensure the support of the population and of the civil service. Basic infrastructure and marketing arrangements must be ensured. Investment codes should favor production, and the security of production should be guaranteed. Above all, peace and stability are necessary for sustainability.

Gradualism, however, is not necessarily a virtue as regards the dismantling of special privileges. The risk is eventual better-organized resistance to reform (Lusaka II). Indeed, participants were unanimous that the longer one waits to remove policy distortions, the more difficult the task.

Appreciation of the political economy of structural adjustment must begin with the identification of social groups, their specific interests that reform can promote or hurt, and the channels through which these interests are manifested. A working group (Victoria Falls) identified two broad interest groups, one external and the other internal (domestic).

Within the external interest group, participants identified two subgroups: donor agencies and multinational corporations. The latter "generally operate in key sectors or are a dominant force in one or more sectors. They represent foreign interests. Their main objective is to continue their privileged and monopolistic positions in our economies." Donor agencies (including bilateral donors and commercial banks), however, "tend to hide behind multilateral institutions, such as the Fund and the World Bank when it comes to manifesting their interests in structural adjustment issues, for example, in debt rescheduling."

Among domestic interest groups, the same participants identified politicians, bureaucrats, business people, manual workers, and low- to middle-income consumers. To this list must be added peasants or smallholder agriculturalists, identified in all seminars (especially Abidjan I) as a special constituency.

Politicians, according to the group in Victoria Falls, have a vision that is biased toward the short term. They are therefore not likely to favor structural adjustment since "it tends to bring hardships in the short run and benefits in the long run," and, "they may not be there long enough to demonstrate the long-term benefits of structural adjustment to their constituency."

A similar assessment may well have been behind a comment made by another participant (Lusaka II), who maintained that "the social question" is the key issue. The reality in Africa today is the degradation of the quality of life. Structural adjustment will succeed only if the population adheres to the program. This will be the case if policies improve the social and political climate and lead to a perceptible improvement in personal incomes, not in some distant future, but immediately.

According to the group in Victoria Falls, it is logical that bureaucrats, manual workers, and low-income consumers would oppose structural adjustment. In the case of bureaucrats, reform, particularly liberalization policies, deprives them of their discretionary powers to supplement their meager incomes by selling favors. Another group (Lusaka II) argued that civil servants would be unlikely to accept reforms that threaten their standard of living, jeopardize their careers, and grant greater autonomy to producers. The civil service in Africa is huge, thus civil servants are in a position to frustrate all attempts at structural adjustment. Therefore, the civil service itself must be the object of reform.

Manual workers and low-income consumers, at least in the short run, are bound to witness losses in the purchasing power of their incomes. By contrast, according to the group in Victoria Falls, "business people, except the few who benefit from quantitative restrictions, would welcome structural adjustment since it increases their business margins."

According to one group of participants (Lusaka II), the peasantry or small farmers are the most likely to benefit from structural adjustment programs. Unfortunately, they are currently disorganized and do not constitute an effective pressure group. The formation of farmers' groups or unions, as a way of giving farmers the means to protect their interests, should rank high on the structural adjustment agenda. But even in Lusaka II, dissenting views were expressed. To some participants, the notion that structural adjustment should lead to significant transfers from the urban to the rural

population is unlikely to be acceptable in all contexts (for example, Madagascar, Mozambique). Reform will scarcely be sustainable if it pits rural and urban populations against each other.

Other participants (Lusaka I) argued that the rural/urban dichotomy could be overdrawn. Exchange rate reform combined with price decontrol would not benefit all rural dwellers. As participants pointed out in Victoria Falls, some would see their condition worsen, such as the landless, while those that benefited might well pass on income to relatives and associates in urban areas. The politics of agricultural pricing policies are therefore complex.

In view of the identified interest groups and their relative political muscle, which policy changes are likely to be most politically sensitive and thus the most difficult to introduce?

According to one working group (Victoria Falls), the least politically sensitive are changes dealing with reform of institutions. Removal of quantitative restrictions is popular with most entrepreneurs. Changes in prices, particularly those of staple foods and foreign exchange, are the most politically sensitive because of their direct impact on consumers. Similarly, the government deficit is difficult to handle due to the many interest groups affected by revenue measures and expenditure cuts. Salaries are rigid downward. Defense expenditures are untouchable due to the fragile security situation in Eastern and Southern Africa. The external debt situation is also likely to remain difficult for some time to come.

For these reasons, compensating all groups hurt by reform measures is probably impossible. *Thus, participants (all seminars) were unanimous that the costs and benefits of adjustment programs must be fairly distributed and perceived as such.* Support for programs can also be improved if the losses and gains resulting from the program can be clearly identified so that winners can be mobilized to support it. At the same time, losers should be assured of the resulting overall benefits of the program in the long run.

Participants agreed unanimously that the character of the social and political leadership is crucial in ensuring the sustainability of adjustment. In particular, governments must be predisposed to consensus-building around reform programs. *Support for reform programs starts at the design rather than at the implementation stage. That is why all interested parties must be consulted at the design stage to build ownership of the program.*

Participants fundamentally differed, however, as to whether the specific character of African governments is inimical to consultations, and thus to sustained reform. One participant (Lusaka I) stated that African countries are characterized by weak governments and parties. This explains the prevalence of what he termed "the politics of appeasement," as opposed to consensus-building.

The working group in Victoria Falls assessed the issue "by a review of the experience of the newly industrializing countries, particularly the Republic of Korea, to see if there were any peculiar attributes in the social and political leadership." Their conclusion was that "other than the favorable economic conditions prevailing at the time most newly industrializing countries embarked on their development paths, nothing suggests that the social and political regimes existing were much different from other countries."

According to group members, based on their individual experiences, African governments do try to reach a consensus before a decision. "However, the consensus is built mainly within a closed circle, sometimes called the central planning authorities. These are usually planning departments, the finance ministry, and the central bank. It excludes many other affected departments. The private sector is also invariably excluded."

To some participants (Victoria Falls), some African countries have considerable capacity for policy analysis, but governments underuse this capacity. The Bank and Fund also do not promote the use of such capacity. Governments and Bank and Fund prefer to use expatriate expertise. Therefore, consultation should be expanded to include indigenous research institutions and chambers of commerce and industry and their research arms. The multiplicity of analysis and opinion resulting from such a consultation process would greatly increase the capacity for policy analysis and formulation, and ease the implementation of structural adjustment programs.

Annexes

Annex A

Countries Participating in the Senior Policy Seminars

Columbia, Maryland
(September 1985)

Ghana
Malawi
Sierra Leone
Somalia
Tanzania

Lusaka I
(February 1987)

Ethiopia
Sudan
Uganda
Zambia
Zimbabwe

Lusaka II
(April 1987)

Burundi
Madagascar
Mauritius
Mozambique
Zaire
Zambia

Abidjan I
(May 1987)

Côte d'Ivoire
The Gambia
Niger
Nigeria
Senegal
Sierra Leone
Togo

Victoria Falls
(March 1988)

Comoros
Kenya
Malawi
Rwanda
Sudan
Zimbabwe

Abidjan II
(August 1988)

Cameroon
Centre Afrique
Côte d'Ivoire
Ghana
Guinea
Guinea Bissau
Nigeria
Zaire

Note: Some participants came in their personal capacities as invitees of the EDI to act as African resource persons. They came from Kenya (Lusaka I), Uganda (Lusaka II), Madagascar and Zambia (Victoria Falls), Senegal (Abidjan II).

Annex B
List of Participants

Lusaka I
Lusaka, Zambia, February 16 to 20, 1987

ETHIOPIA

Comr. Berhanu Abebe
Vice Minister of Domestic Trade
Addis Ababa

Comr. Tadesse Grebre-Kidan
Governor
National Bank of Ethiopia
Addis Ababa

Comr. Dender Wolde Mariam
Head of the Macro Planning Department
Office of the National Committee
for Central Planning
Addis Ababa

Comr. Bekele Tamirat
Vice Minister of Finance
Addis Ababa

Comr. Legesse Tickeher
Advisor to the Minister of Finance
Addis Ababa

SUDAN

Mr. Abdelati Abdalla El Mekki
Budget Director
Ministry of Finance
Khartoum

Mr. Salah Mohieldin Ali
General Manager for Corporations,
Enterprises and Companies
Ministry of Finance
Khartoum

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Minister of State
Office of the Prime Minister
Kampala

Mr. Ahmed Bikdandi Katumba
Permanent Secretary
Ministry of Industry
Kampala

Hon. Yoweri Kyesimira
Minister of Planning and Economic
Development
Kampala

Hon. Stanley E. Tumwine
Minister of Industry and Technology
Kampala

ZAMBIA

Hon. K. Nsingo
Minister of State for Finance
Lusaka

Mr. Godfrey Mbulo
Ministry of Finance
Lusaka

Mr. Kwalela M. Lamaswala
Deputy Govenor
Bank of Zambia
Lusaka

Hon. General G.K. Chinkuli
Minister of Agriculture and Water
Development
Lusaka

Mr. Siteke G. Mwale
Principal Adviser to the Government on Regional Cooperation
Office of the Prime Minister
Lusaka

Mr. Lennard Nkhata
Permanent Secretary
Ministry of Commerce and Industry
Lusaka

Ms. Irene Mumba Kamanga
Under Secretary
Budget Office Ministry of Finance
Lusaka

Mr. Boniface Nonde
Economist
Budget Office
Ministry of Finance
Lusaka

ZIMBABWE

Mr. Moton Dizzy P. Malianga
Deputy Minister
Minister of Finance, Economic Planning and Development
Causeway, Harare

Mr. Arthur Charamba
Deputy Secretary
Ministry of Finance, Economic Planning and Development
Causeway, Harare

Mr. Peter Thomas W. Murphy
Chief Agricultural Economist
Ministry of Lands, Agriculture and Rural Resettlement
Causeway, Harare

Mr. R.V. Wilde
Deputy Governor
Reserve Bank of Zimbabwe
Harare

RESOURCE PERSONS

Moderator

Mr. Tony Killick
Director, Overseas Development Insitute
London

Mr. Dominic Mulaisho
(Seminar Resource Person)
Former Economic Adviser to the President of Zambia

Mr. Harris Mule
(Seminar Resource Person)
Former Permanent Secretary
Ministry of Finance
Republic of Kenya

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Mr. Blackmore Gondwe
Economic Affairs Officer
Economic Commission for Africa
Lusaka

Mr. Stanley Walters
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Officer in Charge
Economic Commission for Africa
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THE WORLD BANK

Mr. Suman Bery
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Mr. Gerold Haase
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Administrative Support Unit
Economic Development Institute
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Mr. Gene Tidrick
Policy Adviser
Country Policy Department
Operational Policy Staff
Washington, D.C.

Lusaka II

Lusaka, Zambia, April 6 to 10, 1987

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Hon. Isaac Budabuda
Minister of Finance
Bujumbura

Mr. Bigiriman
Director of Treasury
Ministry of Finance
Bujumbura

Mr. Edouard Bihuhura
Advisor to the Presidency
in charge of Planning
Bujumbura

MADAGASCAR

Mr. Manandafy Rakotonirina
Member, Supreme Revolutionary Council
Antananarivo

Mr. Rakotobao Razakaboana
Member, Supreme Revolutionary Council
Antananarivo

Mr. Rémi Tiandraza
Member, Supreme Revolutionary Council
Antananarivo

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Principal Economist
Port-Louis

MOZAMBIQUE

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General Manager of Planning and
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Bank of Mozambique
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Cit. Luono Kimbanga
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Minister of State
Ministry of Finance and National
Commission for Development Planning
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Principal Advisor on Regional Economic
and Technical Cooperation
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Dr. K. Muleya
Deputy Permanent Secretary
Cabinet Office
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Mr. Robert Armstrong
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Country Programs I
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Mr. Ram Kumar Chopra
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Operations Evaluation Department

Mr. David A. Cook
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Country Programs II
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Mr. Christian Poortman
Senior Departmental Economist
Country Programs
Eastern and Southern Africa

Abidjan I

Abidjan, May 4 to 8, 1987

COTE D'IVOIRE

Hon. Kone Abdoulaye
Minister of Finance
Abidjan

Hon. Bra Kanon Denis
Minister of Agriculture
Abidjan

Hon. Koumoue Koffi Moïse
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