

Challenges of African Development: Structural Adjustment Policies and Implementation

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**The United Nations
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Challenges of African Development:

Structural Adjustment Policies and Implementation

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Opening Address

Heitor Gurgulino de Souza
Rector, United Nations University

It is my great honour and privilege to welcome you this morning to this symposium organized by the UNU in collaboration with the Ministry of Foreign Affairs of Japan, the Japan Society for International Development, and the Sasakawa Africa Association. I should like to express our heartfelt gratitude to the distinguished participants from all over the world for having accepted our invitation to attend this symposium, and a special word of thanks to the eminent speakers and panelists.

At the same time, I wish to place on record the University's deep gratitude to our co-organizers who have made this symposium possible with their support, and to Professor Ryokichi Hirono for agreeing to serve as its Chairperson.

As we know, during the eighties Africa as a whole experienced a decline in almost all sectors of national welfare and economic development and began suffering from the world-wide debt crisis. African leaders then became increasingly aware of the need for a new well-defined vision for the future, and in response to these needs, national efforts have been supported by various international and other organizations. This international symposium is intended to serve as a forum for an exchange of views on the experiences gained in implementing structural adjustment programmes in Sub-Saharan African countries.

We are proud that the UNU is hosting this important symposium as one of the first events during the week-long activities focusing on Sub-Saharan Africa that will culminate with the Tokyo International Conference on African Development which is organized by the Government of Japan, the UN, and the Global Coalition for Africa

and will take place from 5 to 6 October. UNU is mandated by its Charter to devote its work to research into the pressing global problems of human survival, development and welfare. The activities of the University were inaugurated in 1975 with three priority programme areas: world hunger, natural resources and human and social development. These programme areas were selected by the first UNU Council because of their specific relevance to the prevailing conditions in the developing world especially Africa. The subsequent changes in programming that were introduced during the first and second medium-term perspectives reinforced the UNU's commitment to address its activities to the pursuit of solutions to some of the pressing problems faced by developing countries in such programme areas as hunger and poverty, natural resources in Africa, food and nutrition, mountain ecology, sustainable development, and energy futures.

The UNU works closely with the UN system, acting as the link to the world's academic community. Its work is carried out through a network of research and training centres and programmes now operating around the globe. And the first one that I would like to mention is the Institute of Natural Resources in Africa (UNU/INRA) which is expected to move from its temporary headquarters in Nairobi, Kenya to Accra, Ghana, and with a mineral resources unit located in Lusaka, Zambia. Its objective is to develop scientific and technological capacities in Africa for effective management of the continent's natural resources. The other research and training centres are UNU/WIDER in Helsinki, Finland, on development economics, UNU/INTECH in The Netherlands on new technologies, UNU/IIST in Macau on computer software development, and UNU/BIOLAC in Venezuela, a programme in biotechnology.

It is not my intention to mention all of the activities that UNU is involved with in Africa. However, I wish to express UNU's commitment to continue giving special emphasis in its programmatic activities to the prevailing situation in Africa. I wish to add that UNU continues to provide assistance in strengthening the capacities

of African institutions through its training and fellowship programme. Some 350 African scientists and scholars have received training under UNU fellowships. This number represents nearly one-third of all fellowships awarded by UNU since 1976.

This symposium presents UNU with a unique opportunity to expose the results of its research and training efforts on structural adjustment programmes in Africa. One of UNU's earliest research programmes was organized at WIDER, the first UNU research and training centre, located in Helsinki, Finland. It sought to investigate whether developing countries could have implemented structural adjustment programmes at a lower social cost than actually incurred while retaining the positive elements expected from these programmes. The research involved eighteen country studies most of which were conducted by nationals of the respective countries. This helped to bring a wealth of local knowledge and experience to the varieties of adjustment policies in developing countries. The study resulted in a UNU/WIDER book entitled, "*Varieties of Stabilization Experience*". A follow-up research explored the implications of returning to a long-term growth path in developing countries involving eighteen representative cross-section studies of development experiences and prospects. Another book entitled, "*The Rocky Road to Reform*" resulted from this study.

More than one-third of the follow-up country studies were also from African countries but differed from the earlier studies on stabilization experience. These case studies, founded on structuralist policy analysis, provide valuable insight into the difficulty of establishing answers to the fundamental question of why nations grow at different rates, with inequitable patterns of wealth and income distribution.

UNU research is not captive to one school of thought — whether orthodox, heterodox or radical. In line with this philosophy of intellectual pluralism, UNU has also reached out to incorporate into its research network and programme competing schools of thought. For example, a UNU/WIDER study group chaired by a former IMF

Managing Director produced a report on debt reduction. The study group also provided useful input to the 1989 Report of UNU/WIDER's World Economy Group entitled, "*World Imbalances*". The report has advocated debt repayment in domestic currencies that would be available for reinvestment in the debtor country, that is, the so-called "interest recycling" in order to enhance economic recovery. Another contribution from the main stream economists within the UNU research programme on adjustment is the development of the intellectual underpinning to "shock therapy", whose first popular exposition is to be found in the UNU/WIDER publication "*The Road to a Free Economy*".

UNU's intellectual accomplishment in dealing with economic reform has been to organize a dialogue between the principal schools of thought with the aim of arriving at a professional consensus on what is appropriate adjustment-cum-development policy in developing countries at large, and in Africa in particular. A recent UNU/WIDER research report on the *Wealth and Debt of Africa* has been widely discussed and well received. We are also collaborating with UNDP in the National Long-term Perspective Studies, as part of their regional project, African Futures. Such studies will contribute to further work on African economies in their quest for rapid and sustainable development. UNU's research and network in Africa, including this symposium launches for us a process of interacting with indigenous research institutions for further collaboration on ways of improving the macroeconomic environment within which adjustment and development must occur. I would hope that the discussions to come at the symposium will help advance the consensus on the policies and programmes required to improve the success of economic reform in Africa.

Opening Remarks

Takayuki Miyashita
Ministry of Foreign Affairs

On behalf of the Ministry of Foreign Affairs, I would like to say a few words at the outset of this UNU symposium, which is in part to be held to commemorate the Tokyo International Conference on African Development.

This symposium will address one of the central issues facing African countries today under the theme "*Challenges of African Development: Structural Adjustment Policies and Implementation*". I sincerely hope that meaningful discussions will be held throughout the day under the chairmanship of Professor Ryokichi Hirono, who is one of the leading scholars on African development in Japan. I would also like to welcome all of you who have come from afar to Japan, including Professors Adedeji, Diouf and Sibanda. Next week Japan will host the Tokyo International Conference on African Development in collaboration with the United Nations and the Global Coalition for Africa. The Conference will offer a forum for discussion from a long-term perspective on various issues relating to African development, with the participation of 48 African countries, 14 donors, 10 international organizations including this University and a large number of observers.

I am certain that today's academic discussions among experts on Africa will greatly reinforce political commitment to be expressed by African leaders and their development partners during the course of next week's conference.

In closing, let me express my profound gratitude to those who have made tremendous efforts for the realization of this symposium.

Opening Remarks

Akira Iriyama

Director, Sasakawa Africa Association

The famine in Sub-Saharan African countries that shook the world in 1983-84 led to the massive inflow of emergency food aid into the region. This emotional upsurge certainly contributed to provoke a wide range of public attention to the forgotten continent. Still, chronic hunger and the devastated livelihood in these countries would persist, according to Ryoichi Sasakawa, Honorary Chairman of the Sasakawa Africa Association, unless the cause of famine, which is low productivity in agriculture, has thoroughly been eliminated. Established shortly after the famine in Africa, Sasakawa Africa Association has, from the outset, concentrated its effort on the small-scale, resource-poor farmers to improve their living through their own hands. The Association's programmes, named Sasakawa-Global 2000, provided well-proven technology packages to the farmers and has demonstrated that small-scale farmers can increase yields of the staple food crops by about two- and one-half times compared to their traditional technology and practice. Since 1986, more than 120,000 farmers have participated in our activities in seven different countries (Sudan, Zambia, Ghana, Benin, Togo, Tanzania and Nigeria) and we are still moving forward towards the needy areas in the continent.

Our experiences have proved that a small, non-governmental organization with very limited human and financial resources can effectively strengthen the national foundation of agriculture. It is Dr. Norman E. Borlaug, President of the Sasakawa Africa Association, which has long been arguing that technology and information could double and triple staple food crop production in African countries. What is lacking in those countries, as pointed out, is the appropriate agricultural policy and investment.

Details of our approach will be discussed by Dr. Uma Lele in this afternoon's session, so I will refrain from elaborating what we are doing in this field. But I must address one thing relating to today's topic — Structural Adjustment Programmes. We are working in the countries where SAPs are more or less in operation and we are in a better position to witness how these programmes affect small farmers since we work with them on the site. Suffice it to say that peace and prosperity cannot be built on empty stomachs, and empty stomachs cannot wait decades until economic infrastructures have been completed. Dr. Uma Lele, taking our Tanzanian experience as an example, will explore the well-balanced observation over that issue.

On this particular occasion, I am pleased to see all of you, from various international institutes and organizations, since you are able to have a chance to know about our activities, and I sincerely wish this meeting will be productive towards a practical and action-oriented approach.

Introductory remarks

Ryokichi Hirono

Chairperson, Professor of Economics, Seikei University, Tokyo and President, Japan Society for International Development (JASID)

I wish to welcome you all to this symposium on Challenges on African Development: Structural Adjustment Policies and Implementation, organized by the United Nations University (UNU), the Ministry of Foreign Affairs (MFA), the Japan Society for International Development (JASID) and the Sasakawa Peace Foundation (SPF). As president of JASID, one of the organizers of this symposium, I have the privilege and honour to welcome and thank you for having accepted our invitation to you to participate in the symposium today at the UNU Auditorium. I am very pleased to note that there are many JASID members participating in the symposium as either speakers, panelists or the audience. As chairperson of the symposium I am very pleased once again to welcome you to this important deliberation. We shall follow exactly the agenda set forth in our symposium programme and request our speakers and panelists to give me the fullest possible cooperation by voicing your views frankly and within the time allotted and also request our respected audience to raise pertinent questions and make relevant comments concisely so that at the end of the day we all will feel satisfied with the deliberations and outcome of the symposium, irrespective of our agreement or disagreement with various views expressed at the morning and afternoon sessions.

As participants are aware, most of the Sub-Saharan African countries have been experiencing either low or negative economic growth during the last two decades, resulting in the deteriorating per capita GDP and the cost of living, higher unemployment and underemployment and increased budgetary and current account deficits. Some Sub-Saharan African countries have, in fact, worsened in per capita GDP in real terms as compared with the immediate post World War II years. The Society for International Development

headquartered in Rome, Italy with which JASID is affiliated held its 20th World Congress in 1991 in Amsterdam, The Netherlands, focusing its debate on the constantly worsening economic plight of Sub-Saharan Africa. The World Congress warned the international community that unless appropriate actions were taken urgently, Sub-Saharan Africa would steadily be "de-linked" from the rest of the world economy. In the same year the United Nations General Assembly, based on their sad and fatal experiences in the United Nations Programme of Action for African Economic Recovery and Development 1986-90 (UNPAAERD) adopted the United Nations New Agenda for the Development of Africa in the 1990s (NADAF) to reverse Africa's economic decline and social dislocation.

The International Monetary Fund (IMF), the World Bank and the African Development Bank (ADB) have also been drawing the attention of the international community to the urgent need for enhancing international support to Sub-Saharan African countries by publishing various studies on the progress made in their Extended Structural Adjustment Facility (ESAF), Structural Adjustment Programmes (SAPs) and other related programmes of technical and financial assistance.

In spite of repeated calls by the United Nations and the Bretton Woods institutions and the ADB for increased support, both official development assistance (ODA) and official development finance (ODF) to Sub-Saharan Africa which includes official export credit have been constantly declining since the beginning of this decade. To make matters worse, export prices of major commodities exported by Sub-Saharan African countries such as cocoa, coffee, timber and many mineral ores have been declining, reflecting long-term stagnation and structural changes in importing industrial economies. Furthermore, as the Uruguay Round's multilateral trade negotiations are coming to an end, Sub-Saharan African countries are beginning to be worried about the possible adverse impact upon their exports of a more free global trade regime in agriculture and services. The study commissioned by the Organization for Economic Cooperation and

Development (OECD), published in September 1993, estimates that the net annual losses for Africa could reach US\$2.6 billion in the period up to the year 2002, while the major industrial countries stand to gain a rough total of \$135 billion or 64% of the total annual gains in world income resulting from the more liberalized post-Uruguay Round international trade regime. Sub-Saharan African countries may also lose some trade preferences under the terms of the Lome Convention which are now applicable only to 60 countries in the African, Caribbean and Pacific (ACP) groups.

Though it is widely recognized the world over, it may be pointed out once again that the total external debt outstanding has risen from US\$84 billion to \$199 billion between 1980 and 1993, of which the long-term debt stock amounted to \$58 billion and \$256 billion, respectively. With the debt/export ratio and the debt/GNP ratio rising from 91.0% and 30.1% to 237.1% and 68.3%, respectively, the debt service ratio rose from 9.7% to 13.5% during the 1980-1993 period, and the total amount of the Sub-Saharan African interest arrears and principal arrears reached, as of 1993, \$16.4 billion and \$29.4 billion, respectively. Against all this worsening scenario of external debt, net resources flows calculated as the total amount of disbursements of long-term flows minus repayment of principal saw only an imperceptible increase from \$16.5 billion to \$18.7 billion in the recent period 1990-1993, while the net transfer calculated as the net resources flow minus repayment of interests and repatriated profits rose from a low of \$6.4 billion to \$9.0 billion during the same period.

While these are grim economic and financial realities in Sub-Saharan Africa, there may be so many different interpretations of these realities and different arguments on the reason why they do exist now and in the foreseeable future. When it comes to possible policy options, differences in views may become enormous, depending upon their own scholarly training, professional experiences, living experiences as well as their organizational affiliations. We are fortunate today to have some of the best known scholars and professional practitioners well versed with these critical issues and

having first-hand experiences in Sub-Saharan African development not only as speakers and panelists but also among our audience at the symposium.

From the Sub-Saharan African region itself we have Professors and Drs. Adebayo Adedeji of Nigeria, A. Ould-Abdallah of Mauritania, Siddig A. Salih of Sudan, Ellen Johnson Sirleaf of Liberia, Makhtar Diouf of Senegal and Arnold Sibanda of Zimbabwe. All of these scholars and professional practitioners have had or are now having professional experiences in national governments and international organizations exposed to a wide variety of policy formulation and implementation experiences. As they have been looking at the Sub-Saharan African development experiences from different positions and corners, it is natural that they might have different views from each other, sometimes contradicting. On the other hand, they may share the same or similar views because of the nature of specific issues to be dealt with. We also have the speakers' and panelists' lists, Professors and Drs. Richard Jolly of UNICEF, Rattan J. Bhatia of the IMF and Ishrat Husain of the World Bank who are today participating in the symposium in their personal capacities. They have all been associated with international development and finance organizations at the senior or top level for a relatively long period of time and exposed to many valuable policy formulation and implementation experiences. Then, finally but not least, we have as speakers and panelists Professors and Drs. Ichiro Inukai, Koichi Sakamoto and Susumu Watanabe of Japan and Uma Lele of India who have not only watched the development experiences in Sub-Saharan Africa but also worked in some of the Sub-Saharan African countries either with bilateral donors or multilateral organizations for different durations of time on several occasions. Being nationals of Asian countries at least originally, they may have some analyses and interpretations of major development policy issues and international development cooperation issues, based on different perspectives from our friends from Sub-Saharan Africa and international organizations.

These differences among today's speakers and panelists in views and interpretations of major development and international cooperation issues may become most acute, as mentioned earlier, in dealing with policy options that they may offer during the debates at the symposium. It is widely known that there have been active debates going on in the international development community in regard to the successes and failures of the ESAF and SAPs as implemented respectively under the guidance of the IMF and the World Bank. I am not going now to dwell upon these possible differences in views and perspectives among different scholars and practitioners, although I am very much tempted. I have already spent too much symposium time on introductory remarks since I shall have another opportunity to say a few words on this in my concluding remarks at the end of this symposium. Besides, I am certain that the senior staff of the IMF and the World Bank whom I have known since my UNDP days will forcefully present their own personal views and organizational positions and that our UNICEF's top management and scholar whom I have had the privilege of knowing for a long time as an academic colleague at Sussex University and as a professional colleague in the United Nations system will not hesitate at all to express his long-standing views in favour of Adjustment with Human Face. Our Sub-Saharan African colleagues will be expected to join the debate from their own African perspectives, and I know that they will, again based on my long professional experiences in interacting and debating with African scholars and professional practitioners.

As for why we are having this symposium at this time, let me just say that we are having the Tokyo International Conference on African Development (TICAD) next week in Tokyo, on 5 to 6 October. By having this intellectual dialogue today prior to TICAD, we shall be able to present to TICAD the thrust of our discussion at this symposium, including what we wish TICAD to emphasize in their discussion, and policy suggestions and recommendations on development strategies and international development cooperation for Sub-Saharan African countries.