only world region where per capita output has declined consistently throughout the decade, falling from $752 to $641 (in constant dollars) in 1987. Per capita incomes in the same period have declined by an annual average of 2.6% – from levels extremely low to begin with.

The economic setbacks have resulted in devastating impact on human development, with health and education the hardest hit sectors. As the Alternative points out, Africa may begin the next millennium with a greater proportion of its population being illiterate and unskilled than it did at the beginning of the post-independent era in the 1960s. These chronic setbacks necessitated short-term crisis management that often lost sight of the African people's basic needs and aspirations. But as the new African document makes clear, it is no longer possible to overcome "short-term" economic crises if developmental goals are lost sight of and people's health, education and skills are rapidly deteriorating.

The blueprint argues that programs for economic recovery can only be successful if African governments, drawing on the support and democratic participation of their people, take on the prime responsibility for determining their own country programs.

"This is a fundamental departure from the current practice in which external development agencies play a principal role in the formulation, design, implementation and monitoring of adjustment programs in member states," asserts the blueprint. Viewed in this light, the current adjustment process has implied a "gradual erosion of sovereignty" – in the sense that countries in need of external resources can often obtain them only if they accept the donor institutions' policy orientations. Africa has particularly suffered from such conditionality because the weakness of its economies gave it very little negotiating leverage.

The Alternative therefore asks donors to allow African governments far greater flexibility in formulating their policy reform packages and to support these without requiring the strict conditionalities hitherto in place, especially since most African governments are committed to, and have taken, the tough decisions required for adjustment.

Adedeji insists that Africa is *not* asking for a blank check or a retreat from the principle of accountability in the use of external assistance.

Unlike conventional adjustment programs, which on the whole prescribe a set of policy measures that most African governments are supposed to follow, the African Alternative does not present itself as a universal model. It is a broad and flexible framework that governments can use in designing their own individual programs. It outlines general policy directions that seek to incorporate more immediate adjustment measures with the process of transforming the structures of Africa's economies.

Emphasizing therefore that this argument in no way undercuts African commitment to adjustment, the Alternative categorically asserts, "Africa has to adjust. Balance of payments disequilibrium, fiscal imbalances, inflation. . . cannot be wished away or passed off unaddressed. But in adjusting, the transformation of the structures that fundamentally serve to aggravate the socio-economic situation must constitute the focus of attention."

A number of policy areas in the blueprint are part of current structural adjustment programs, areas around which a broad consensus appears to have emerged among African governments, donor agencies and the international financial institutions. These include the need for improved financial management and efficiency of public enterprises, along with tighter financial accountability; improved agricultural incentives; export diversification, and improved external debt management.

However, the document asserts that orthodox adjustment programs have failed in most African countries because the model which underlies them "is essentially not adapted to the African situation, which is characterized by weak production structures and imperfect markets. . . Calling for the replacement of government [ownership of businesses and services in a country] with markets which hardly function is unjustifiable, since it is only as and when the necessary productive capacity is built that market forces would become competitive and progressively play an increasing role as an engine of growth and development."

The Alternative dwells at length on other ways in which orthodox adjustment programs and policies are inappropriate:

- **Tighter credit** can lead to output contraction and inflationary pressures and a reduction of investment, although it might succeed in improving the current account.
- **Higher interest rates** might increase savings, but imperfect money and capital markets encourage their use for speculative rather than productive activities.
- **Devaluation** is designed to foster greater use of domestic resources, but often there are no appropriate local substitutes for the technologies being used. In addition, devaluation often only marginally improves the balance of payments in cases where exports of primary commodities have fixed quotas and are sold at prices determined by outside markets, but its impact on inflation can be significant.
- **Trade liberalization** should make local industries more efficient, but often these are inadequately financed and undertechnoligized and therefore are no match for the manufactured goods emanating from highly sophisticated overseas markets.
- The poor performance of public enterprises in Africa has led to "wholesale and doctrinaire" **privatization** being proposed as part of many adjustment programs, but the "presumptive" institutional superiority of private over public enterprises has no theoretical foundation. "Indeed, since the indigenous private sector is often not strong enough to take over state enterprises in many countries, privatization could lead to takeovers by transnational corporations." What the Alternative finds particularly objectionable is the substitution of the profitability criterion for the social welfare criterion in such vital areas as water supply.

The Alternative's assessment of conventional adjustment programs concludes that their "performance indicators do not correspond to Africa's basic development objectives. . . It is [indeed] possible to record an improvement in these indicators. That is why, in spite of growth of gross national product and exports and improvements in external payments and budget balances in some countries, malnutrition and abject poverty have worsened, while the other structural weaknesses have intensified."

The blueprint's specific policy recommendations aim not only to influence the level and structure of production, but also the distribution of wealth and pattern of expenditure for the satisfaction of essential needs. The social dimension is at the center of its concerns, hence it emphasizes areas such as employment generation, protection for the most vulnerable groups and the satisfaction of people's essential needs.

To make implementation of such an approach possible, the Alternative challenges African governments to promote democratization and "greater mass participation in decision-making." It acknowledges candidly that basic rights and individual freedom are often lacking in Africa. "This pervasive lack of democracy also makes the mobilization [required for reforms] difficult."

– Salim Lone is the editor-in-chief of Africa Recovery. *This article appears in the current issue.*

AFRICA NEWS is published at 720 Ninth St., Durham, NC, by Africa News Service, Inc., a non-profit, tax-exempt agency also supplying news and feature material to broadcast and print media.

Material in this publication is available electronically via NewsNet (800-345-1301) and on microfiche from Human Rights Internet (617-495-9924) and is indexed by the Alternative Press Index (301-243-2471).

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SUBSCRIPTION RATES: Individuals – $30/year (pre-paid two-month trial, $5); Institutions – $48/year; First Class Executive Service – $95/year. Mastercard and Visa orders accepted.

POSTMASTER: Send address changes to Africa News Service, P.O. Box 3851, Durham, NC 27702. Copyright © 1989 by Africa News Service, Inc. All rights reserved (USPS 363-670)

SECOND CLASS POSTAGE PAID AT DURHAM, N.C. (ISSN) 0191-6521 P.O. Box 3851 Durham, NC 27702 (919-286-0747).

Cover Photo: Tami Hultman/Africa News

Structural Adjustment

The World Bank and the International Monetary Fund were set up at the end of World War II under the leadership of Britain and the United States to help rebuild Europe's devastated economies. Since the 1950s, the Bank and the Fund have emerged as the major sources of financing for poor countries in Africa, Asia and Latin America.

Earlier this decade, as developing countries experienced deepening economic crises, reform plans called Structural Adjustment Programs were developed. Backed by international financial institutions, the programs have become a requirement for countries seeking further financial assistance. The reforms include exchange rate adjustments, constraints on government spending, deficit reduction, the removal of subsidies and price controls, reducing the government's role in the economy and moves towards a free market.

THE WORLD BANK

Searching for Common Ground

"This is the toughest test of our determination and our humanity," World Bank President Barber Conable said last month at a press conference to introduce a major Bank study on Africa. Conable said that improving the quality of life and "fighting the crushing poverty which afflicts hundreds of millions of Africans" are among the most formidable development challenges the world faces.

Sub-Saharan Africa: From Crisis to Sustainable Growth was two years in preparation, and early drafts went through a lengthy process of consultation between the Bank and a variety of groups, including African officials, other governments, private business people and development agencies.

The attractively-presented report is an attempt to look at Africa's needs from a long-term perspective, and it adopts much of the language of recent criticisms of World Bank policies. As recently as last April, when the Bank released a report saying that the harsh economic reform packages known as structural adjustment programs were working, African leaders blasted the Bank's approach.

Adebayo Adedeji, Executive Secretary of the Economic Commission for Africa, a UN agency based in Addis Ababa, Ethiopia, described the attempt to paint a rosy picture of those countries implementing structural adjustment programs as "cynical in the extreme." Former Canadian UN ambassador Stephen Lewis, who was representing the UN secretary general on an African task force, told the *Guardian* newspaper in London that he personally saw the Bank report as "a lousy document, prepared with a questionable data base."

In the months since then, the Bank and the ECA have held numerous talks aimed at narrowing the rift, in the interest of arriving at a plan for Africa that could win broad international support. Public statements and documents also have attempted to heal the split. Again and again, Africans are emphasizing that they recognize the need for dramatic policy reforms, and that they accept the blame for past mistakes as well as responsibility for the future. And both in language and in recommendations, the World Bank study that was released on November 22 has moved toward the African position of emphasizing the effect of economic policies on peoples' lives.

Barber Conable said, in presenting the report to the press, that it outlines a strategic agenda for the 1990s, which "if followed, will reverse the economic decline which has afflicted so many of the African countries and peoples."

The report summarizes the strategy in seven recommendations:

- **Adjustment programs should continue to evolve.** Programs must take fuller account of the social impact of reforms and increase expenditures on human resource