"CONSTRUCTIVE CRITIC" OR " DONOR AGENCY" DOES THE WORLD BANK HAVE A ROLE TO PLAY IN SUB-SAHARAN AFRICA'S DEVELOPMENT BEYOND THAT OF PROVIDING ECONOMIC AID?

THESIS

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This thesis is dedicated to my parents:

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ABSTRACT

This thesis attempts to evaluate the role of the World Bank in Sub-Saharan Africa's development. It argues that the World Bank has stepped beyond the boundaries of a typical lending institution by linking its aid to political reform. The study argues that in this capacity the Bank has contributed to the halting democratization process currently underway in Africa.

The economic effects of the World Bank's Structural Adjustment Programmes have been less successful. As yet, the programmes have not produced the expected results and there is no evidence of long-term, sustainable economic recovery in Sub-Saharan Africa. These programmes are, however, long-term strategies and it may therefore be too premature to reach a final conclusion. They may also have been affected negatively by unfavourable political environments.

This study, noting the negative effects of the international terms of trade and prices for African exports, concludes that although economic recovery in Sub-Saharan Africa will be facilitated by domestic political and economic policy reform, there is also a need for reform of the international economic order. The World Bank has correctly identified the need for domestic improvement, but it has a tendency to disregard the negative consequences of the existing structure of the international economy.

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Chapter One

THE POLITICAL NATURE OF DEVELOPMENT

It is a given fact that the world is divided between rich and poor states. It is customary to make this distinction through the use of the concepts of 'developed' and 'less developed' nations. In comparison to the developed advanced industrialized nations, less developed countries have a very low level of socio-economic development which is reflected by their generally lower standard of living and quality of life.

Bannock et al (1987.111) describe a developing country as:

> "A country that has not yet reached the stage of economic development characterized by the growth of industrialization, nor a level of national income sufficient to yield the domestic savings required to finance the investment necessary for further growth".

This definition, whilst providing a satisfactory economic description of a developing country lacks a sensitivity to its political and social characteristics. Many developing countries are renowned, not only for their weak economic condition, but also for their poor governing ability and inadequate means of attending to social problems which are compounded by rapid population growth and high levels of unemployment. This means that the problems faced by developing countries go beyond pure economics to include political and social issues too.

David Goldsworthy's definition (1988.507) is more adequate to the extent that it provides an all-encompassing description of development which exhibits an acute awareness of its multifaceted nature:

> "Development is an idea which combines the moral with the material. It is a moral idea in that it is about human betterment, fulfilment, the enrichment of lives through the expansion of choice; and a material one in that it is about overcoming material poverty through the creation and optimal distribution of wealth".

Simply translated, this means that development is not only an economic issue whereby the only pressing issue is the reconstruction of the economy. As Goldsworthy suggests, development is a moral and material concept related to improving the quality of human life by ensuring the optimal distribution of wealth. But, policies and activities designed to facilitate and encourage development do not guarantee that the needs of all parties will be met:

> "...there is little or no likelihood of positive-sum outcomes with gains to all participants. Development in practice is not just about deciding what courses of action will bring benefits to which groups; it is about choosing which objectives to pursue at the expense of which others" (Goldsworthy:1988.508).

Goldsworthy's argument, therefore, is that the nature and consequences of development plans are essentially political in that they necessarily involve trade-offs between various sectors of the society. He correctly maintains that the facts of loss and gain make development "...an intrinsically and intensely political subject" (ibid) because they point directly at considerations of values, interests and power. Goldsworthy's essential point, therefore, is that these phenomena determine attitudes to development, patterns of development, strategies for development and their implementation.

This is exemplified by the fact that empirical research has shown that rich-poor differentials tend to reflect the nature of power distribution and not the pattern of human need. This occurs because the values and interests of wealthy power-holders easily differ from those with lower levels of income and less power. Thus, a development policy which might result in a radical redistribution of wealth, and hence antagonize powerful beneficiaries of the current allocation pattern, might not be introduced or implemented in the way in which its creators intended. Likewise, the values and interests of the creators might not reflect a sensitivity to the basic needs of those at whom their strategy is supposedly targeted.

This can be narrowed down into a conflict between the values and interests of those who have power and those who do not. This conflict manifests itself at a political level and has a significant effect on development strategies world-wide. Its significance for development strategies is that it highlights the extent to which the values and interests of those with economic and political power, both at the international and national level, determine the type of strategy which they believe will bring about an improvement in the quality of life and the redistribution of wealth.

The International Bank for Reconstruction and Development, more commonly known as the World Bank, is one of the better-known architects of development strategies, especially in Sub-Saharan Africa. Being a powerful international economic and political development institution, and given the above line of argument, its development strategies and policies inevitably reflect its particular values and interests. The relevant question is whether or not its strategies in Sub-Saharan Africa are sensitive to the values and interests of the politically and economically unendowed at whom they are aimed. Furthermore, it is necessary to ascertain the extent to which its policies threaten political and economic status quos, and the extent to which the powerful sectors of each society seek to obstruct and hinder their implementation. An analysis in this direction hinges directly on the political aspects of development.

In addition to the intrinsically political nature of development there is the issue of the nature of the strategies designed to alleviate the problems of developing nations. For the most part, these strategies have tended to concentrate specifically on alleviating the economic deficiencies of developing countries, paying less attention to political issues and weak governments, than they have to the effects of, and remedies for, poorly conceived economic policies. Recently, however, the emphasis has shifted. There is a growing tendency for development strategists to envisage political correction as a prerequisite for successful economic development. The implication is that they are finding fault with the manner in which the values and interests of those in power are determining the course of economic development.

Traditionally, the paradigm used to analyse development strategies has been the 'internal' versus 'external' causes debate between radical critics, like Onimode (1989) who argue that the development crisis is the result of the hostile international political economy and liberal critics, like the World Bank, who maintain that bad government and misguided policy choices are at fault. Whilst this paradigm continues to hold some relevance to development strategies, there is a shift weighted in favour of the 'internal' causes and solutions. Left-wing critics are beginning to, and right-wing critics are continuing to, place more emphasis on the role of constructive political reform in providing the environment in which the quality of life can improve and sustainable and equitable growth can occur. In other words, there seems to be a consensus on the destructiveness of the prevailing values and interests of the empowered in Sub-Saharan Africa.

The following extract summarises the essence of this assertion:

> "In recent years, international experts who analyse the economies of developing countries have concluded that

> the persistent poverty and sluggish-to-nonexistent economic growth that afflict [these countries] are due less to the scarcity of capital investment and suitable technology than to ill-chosen policies" (de Soto & Orsini:1991.107).

Thus, although development strategies continue to focus on the need to reform the economic policies of the afflicted countries, there is also an increased tendency towards seeing better governance as the primary requirement for economic recovery in Sub-Saharan Africa (Ake:1991.36). The World Bank is one of the main advocates of this tendency as is clearly exhibited by the fact that its programme loans to African countries are provided on the condition that governments undertake to embark upon a programme of political reform. Indeed, "political accountability" is fast becoming the latest catch-word in development rhetoric and strategies with the intention being to restructure Sub-Saharan African politics along democratic principles. It appears that strategists believe that such an occurrence will allow the values and interests of the poor to prevail more than they do under current circumstances.

Whether or not the implementation of democratic principles will ensure more equitable development in Sub-Saharan Africa remains to be seen. It is obvious, however, that whilst the World Bank seeks to rectify the problems it perceives to have been brought about by corrupt, elitist African governments, that it intends replacing their values and interests with some of its own. The issue is whether or not these are relevant and suitable to the African environment and its current circumstances.

This discussion has sought to define the role of politics in development. It has argued that development issues are intrinsically political by virtue of the fact that strategies to alleviate poverty and discrepancies in wealth distribution inevitably threaten the interests and values of different sectors of the society in question, particularly those with political and economic power. It has also argued that there is a recent tendency for development strategies to place a greater emphasis on the need for political reform to precede economic development. It has been suggested that this is due to the fact that development strategists, such as the World Bank, perceive the current values and interests of the governments in Sub-Saharan Africa to be a major cause of the economic decline in the continent. It has also been noted, by virtue of the nature of its development strategies, that the World Bank is in turn seeking to imprint its values and interests on Sub-Saharan African society, believing that these will go a long way in alleviating the crisis.

I will proceed with the analysis by identifying and discussing the origins of the World Bank's ideological background. This will explain its economic and political values, which in turn aid identification of its prevailing interests. This will create a paradigm from which constructive criticism of its development strategies and approach to Sub-Saharan African development can be made.

Chapter Two

DIFFERENT APPROACHES TO DEVELOPMENT IN INTERNATIONAL POLITICAL ECONOMY

The international political economy is the pivotal point of discussions concerning development because it is the established context within which international and domestic political and economic transactions occur. Essentially, international political economy refers to the reciprocal relationship between international politics and economics. Robert Gilpin (1975.21/2) writes:

> "...politics largely determines the framework of economic activity and channels it in directions intended to serve the interests of dominant groups; the exercise of power in all its forms is a major determinant of the nature of an economic system...the economic process itself tends to redistribute power and wealth; it transforms the power relationships among groups. This in turn leads to a transformation of the political system, thereby giving rise to a new structure of economic relationships".

This extract supports the previous assertions concerning the role of power, interests and values in determining the pattern of economic development and distribution. Like Goldsworthy (ibid), Gilpin stresses the centrality of power, values and interests in political and economic issues, arguing that those in power determine the economic policies and that those with economic wealth have the means to transform the political system and hence, restructure and reform economic policies.

Besides noting the influence that politics has on economic issues, Gilpin accentuates the *reciprocal* relationship existing between these dynamics arguing that their relationship "...translates into that between wealth and power" (1975.22). This relationship exists at the international and the domestic level. The former accounts for the "...interrelationships between economic transactions and international politics" (Blake & Walters:1987.3), whilst the latter accounts for the same at the domestic or national level. The relationship between the World Bank and the countries of Sub-Saharan Africa is at the international level whilst that between governments and their citizens is at the national level.

To determine the nature of the values, interests and power of the World Bank it is essential that a conceptual framework is formed, from which relations between the World Bank and Sub-Saharan African countries may be evaluated. (This includes discussing the creation of the Bank at Bretton Woods in 1944). Having covered these aspects, the political and economic dynamics of their relationship and the effect that it has on Sub-Saharan development strategies can be evaluated.

The different theories pertaining to the nature of the international political economy will be discussed. After determining which theory best explains the values and the interests of the World Bank, the discussion will endeavour to relate this to the Bank's origins in order to explain its power, and the way it deals with the issue of poverty and underdevelopment in Sub-Saharan Africa.

There are three main perspectives on international political economy: liberal, Marxist, and realist or nationalist. All three are mutually exclusive and, as Frieden and Lake (1987.5) note:

> "The assumptions upon which each of these three perspectives is based lead international political economists to view the world in very different ways. Many liberals regard foreign direct investment in less developed countries, for instance, as a mutually rewarding exchange between entrepreneurs. Many Marxists, on the other hand, see the foreign firm as exploiting the less developed country".

Whilst these theories go a long way in facilitating discussion and understanding, it must be stressed that they do not adequately account for the nature of the relationships within the international political economy. They are merely 'ideal types' which are useful in explaining some observed phenomena.

Before beginning with the premises of the three perspectives, the following extract from Gilpin (1987.25) brings to one's attention the impact that these various ideologies, which reflect differing values and interests, have on development strategies. He writes:

> "The three ideologies differ on a broad range of questions such as: What is the significance of the market for economic growth and the distribution of wealth among groups and societies? What ought to be the role of markets in the organization of domestic and

international society?"

Essentially, this means that each ideology reflects a different set of values and interests and it is these which determine the assumptions of each theory. Many national political-economic dispensations are based on one or more of these theories. The consequences of having these values and interests will become increasingly apparent as the three theories are discussed.

Liberal economic theory, which emerged from the writings of Adam Smith and David Ricardo, is committed to free markets and minimal state intervention and acts on the assumption that politics and economics exist ideally in separate spheres. Frieden and Lake (1987.6) write that liberalism is based on three assumptions: firstly, that individuals are the principal actors within the political economy, secondly, that these individuals are "...rational, utility-maximizing actors" and thirdly, that they "...maximize utility by making trade-offs between goods".

These assumptions point towards the most central tenet of liberal economic theory which is the efficiency of the market and the price mechanism. Given the fact that liberal economists believe in the centrality of a rational, utility-maximizing individual, they argue that:

> "If markets are open and no impediments to trade exist, everyone can be made as well off as possible given existing stocks of goods and services. Everyone, in other words, will be at his or hers highest level of

utility" (Frieden & Lake:1987.6).

Liberals therefore argue that the primary objective pursued by states should be the creation of a market system which will ensure maximum aggregate economic growth in national and global economies. To this end they strongly support the existence of free trade and open markets which they maintain will increase the range of goods and services available to the consumer (Gilpin:1987.28). This means that all states must open themselves to foreign goods and capital and, specialize in the production of goods in which they possess a comparative advantage (Blake & Walters:1987.6).

An important element of liberal theory is its basic assumption concerning economic gains between states. Liberal theory adopts a positive-sum approach to the issue of the distribution of economic gain accumulated under the principles of the liberal economic umbrella. By this, it is understood that there are mutual benefits in each interaction although they are not necessarily mutually identical (Blake & Walters:1987.6). Furthermore, under these conditions, liberal economic theory assumes that there is a minimum degree of, or need for, conflict in economic relations conducted at the international or domestic level (Frieden and Lake:1987.7).

The nationalist or realist perspective on international political economy differs from the liberal economic theory in that it assumes that "...economic activities are and should be subordinate to the goal of state building and the interests of the state" (Gilpin:1987.31). Thus, unlike the liberals, nationalists consider the state, national security and military power as central elements in the organizing and functioning of the nation-state. Hence, the assumptions underlying the theory pertain to the centrality of the conflict between nation-states. They are firstly, that nation-states are the dominant actors in the international political economy, secondly, that they are power-maximizers and thirdly, that they are rational in the sense that, when confronted with an option, they will choose that which will maximize their power (Frieden and Lake.1987.10).

The implications of these assumptions are that nation states prefer to act in their own self interests rather than in the interests of global and domestic economic maximization. In other words, unlike the liberal perspective which argues for a necessary differentiation between politics and economics in the interests of economic efficiency, nationalists argue that political issues overide and determine economic issues to the detriment of the maximization of global economic efficiency. This is because a nation state's greatest interest is self-preservation.

Economic nationalism must be seen as an essentially defensive approach to the realm of international political economy in that it accounts for the tendency of state 'A' to seek to strengthen its economy at the expense of state 'B'. Strengthening the national economy is seen as a means of acquiring wealth so as to consolidate national security and hence, 'A's position in the global economy. The soundness of this approach is its realistic analysis of the inherent conflict existing between different nation-states. It correctly identifies the tendency of states to put national interests above the altruistic goal of maximizing international economic efficiency, that is, the inclination towards seeing relative gain as more important than mutual gain (Gilpin:1987.33).

The assumptions of the radical or Marxist perspective also differ considerably to those underlying the liberal and national theories. According to Frieden and Lake (1987.8/9) the three basic assumptions of radical theory are as follows: firstly, classes are the dominant actors in the political economy, secondly, these classes act in their material interests and thirdly, the basis of the capitalist economy is the exploitation of labour by capital. This implies that like nationalism, radical or Marxist theory is inherently conflictual and that there is no basic harmony of interests amongst the principle actors.

Radicals perceive national self-determination and equitable income distribution to be just as crucial to economic issues as the priorities of growth and economic efficiency (Blake & Walters:1987.8). This perception is shaped by their belief that the benefits of international economic relations are distributed unequally due to the uneven and unequal nature of the international political economy. Consequently, the radical analyst sees integration into the international political economy as incompatible with income equality and the capacity for economic and political self-determination. This is because, according to radical thought, international political and economic relations are distributed unequally in favour of the advanced industrialised rich states. To consolidate this point, Blake and Walters (1987.8) write:

> "Even if a poor state does formulate economic policy in accordance with classical liberal economic thought, the asymmetrical distribution of benefits in its international economic relations will condemn it to perpetual poverty, foreign penetration and continued dependence upon rich states".

This extract hints at the disharmony between the liberal economic position and the radical analysis of international political and economic relations. The liberal perspective argues that international relations are based on positive-sum assumptions whereby a state's involvement in liberal economic relations will be to its own, and every other nation's, benefit whilst the radical approach argues that mutual benefits do not occur and that one state's economic or political gain is another's loss. Unlike the nationalist approach, the radical perspective does not merely attribute this factor to a state's pursuit of its own self interests, but to the structure of the international political economy itself, which, according to radical thought, has relegated most states of the world subordinate to the interests and domination of the advanced industrialised states, such as the United States, Britain, Japan and Western Europe.

These three conceptual frameworks have contributed to the formation of attitudes pertaining to the world-wide crisis of underdevelopment. In other words, based on a different set of values and interests, liberal economic theorists attribute the causes of underdevelopment to a different set of factors than does a radical thinker. Similarly, a person adhering to the nationalist perspective ascribes yet another set of causes and solutions to underdevelopment and its ensuing problems. Before examining each school's analysis of underdevelopment, it is necessary to determine which perspective - liberal, nationalist or radical - best characterizes the World Bank's attitude and response to the problems caused by underdevelopment in Sub-Saharan Africa.

Blake and Walters (1987.5) write:

> "The classical liberal economic approach is evident in the ... basic contemporary foreign economic policy orientations of the United States and other governments of advanced industrial societies in the West. They are evident as well in the policy orientations of key international economic institutions such as the General Agreement on Tariffs and Trade, the International Monetary Fund and the International Bank for Reconstruction and Development [the World Bank]".

Thus, the World Bank is committed to the principles of free market economics and minimal state intervention. It therefore strongly supports free trade, open markets and the principle of comparative advantage as the means of conducting international economic transactions and achieving maximum economic growth.

In addition, the extract points to the fact that the United States and other advanced industrial nations also approach foreign economic policy from the liberal perspective. These nations, under the leadership of the United States, created the World Bank after the Second World War in 1944. Prior to the outbreak of the war, protectionism had dominated international economic transactions and the liberal world economy of the nineteenth century had collapsed. Based on their position as the dominant world power after the war,

> "[t]he Americans worked out a universal system for a new world order, one clearly based on traditional liberal principles" (Van der Wee:1986.347).

Thus, the intention at Bretton Woods was to design

> "...a specific institutional framework which would help to realize the building of a new liberal world order and guarantee its successful working" (Van der Wee: 1986.347).

To this end, the General Agreement on Tariffs and Trade (GATT), the International Monetary Fund (IMF) and the World Bank were created as the institutional pillars of the newly created liberal economic order. They were formed to ensure that the principles of economic liberalism were adhered to by all nation states. Very briefly, GATT was created to ensure that liberal trading principles prevailed, whilst the IMF was designed principally to regulate the financial relations between the advanced industrial nations (Onimode:1989.20 - Vol 1).

The following extract from *The Economist* (12.8.91) summarises the rationale behind the creation of the World Bank and explains why it has turned to third world development:

> "When the Bretton Woods delegates established the International Bank for Reconstruction and Development, 'reconstruction' was uppermost in their minds. The Bank's first job was to help to finance the rebuilding of Europe's economies. As it turned out, the new institution was entirely overshadowed in this role by the Marshall plan. Soon the Bank turned instead to 'development', and to the third world".

This outline characterizes the predominant values and interests of the World Bank. It is obvious that the World Bank is an institution created by liberally-oriented nation states seeking to conduct economic transactions in a world where liberal economic principles prevail. This fact not only shapes the World Bank's perceptions of the causes of Sub-Saharan Africa's crisis, but also influences the manner in which it believes the crisis should be confronted.

There are three perspectives on third world underdevelopment. It should be noted that these are derived from the manner in which critics perceive the international political economy to function. It is important that we are constantly reminded of this because it is the basis for analysing the role of the World Bank in Sub-Saharan African development strategies.

The debate surrounding development and development strategies centers on three crucial questions: firstly, why are some nations richer than others, secondly, what factors explain this division and thirdly, how can it be overcome? The three theoretical approaches, economic liberalism, classical Marxism, and the underdevelopment position, (all of which have their roots in the three theories of international political economy) have different answers and solutions to these questions. This has given rise to one of the most critical problems in the international political economy. Gilpin (1987.263) writes:

> "The intense desire of the majority of the human race to escape its debilitating poverty and join the developed world is a determining feature of international politics. Yet in the final decades of the twentieth century, bitter controversy exists regarding the causes of and possible solutions to this problem".

The World Bank is one of the major players in this controversy and is clearly aligned to the liberal economic perspective regarding causes and possible solutions. To verify this assertion it is necessary to outline the basic premises of the three perspectives.

The liberal perspective on economic development assumes that interdependence and economic linkages between the rich and poor states are beneficial to both parties. They claim that the most important factor in economic development is the efficient organization of the domestic economy and the maintenance of a free and competitive economy (Gilpin:

1987.265/Frieden & Lake:1987.7). To this end, they strongly emphasize the need to attract economic transactions arguing that:

> "The strategy ... is to forge national policies in a manner designed to exploit the highly sensitive international interdependence characterizing the contemporary world" (Blake & Walters:1987.172).

It is evident that this line of thought strongly reflects the liberal theory on international political economy which calls for free market economics and minimal state intervention beyond that of facilitating the dominance of free market values.

Their strategy for economic development thus hinges on a wide range of international economic transactions with the advanced economies via trade, international aid and foreign investment. In order for profitable international economic transactions to occur the domestic economy itself must function efficiently. In the light of this notion, liberal development strategists are of the opinion that ultimately it is possible for the less developed regions of the world to attain the same standard of living as the advanced industrialized states. They use the NIC's, or Newly Industrialized Countries, such as Brazil, Hong Kong, South Korea and Singapore, as examples of the positive consequences of less developed nations opening up markets to attract foreign capital and increase exports. The result has been:

> "...spectacular economic success over the past two decades. They have achieved higher rates of domestic economic growth and trade growth than advanced

industrial states and other less developed countries" (Blake & Walters:1987.173).

The success of the NICs has given the liberals adequate reason to argue that the key to economic development lies in the ability of an economy to respond to, and transform itself according to changes in the international political economy. They believe that domestic social and political problems are the reasons behind failed development initiatives, rather than the structure of the international political economy. Simply translated this means that liberal strategists believe that each country is primarily responsible for its own economic condition and for changing that policy which is malfunctioning. Consequently, their primary focus in development strategy is on the role of internal factors, such as ill-chosen government economic and political policies, which they believe are behind inefficient economic markets. In other words, development requires minimal state intervention and the maximization of economic efficiency which can be achieved through open markets and free trade.

Unlike the liberal perspective which places heavy emphasis on the role of internal factors, the classical Marxist and dependency positions attribute underdevelopment to external factors beyond the control of the individual nation state.

The classical Marxist perspective is based on Marx's interpretation of the evolution of Western civilization. Marx believed that capitalism would develop the forces of production and was the natural outcome of primitive commodity production and feudalism. It would give way to socialism and communism once it had developed the forces of production and transformed traditional society into an interdependent world economy. According to Marx, the driving force behind each stage of production is the class conflict between the owners of the means of production and the dispossessed. The pattern of economic development would be shaped by capitalism which would generate class conflict and would ultimately result in the transition to socialism and communism. Marx found, however, on turning his attention to the Middle East and Asia, that these societies seemed to be devoid of a mechanism which would generate social change and came to the conclusion that the external force of European imperialism was needed to promote development.

Put very simply, classical Marxist thought argues that capitalism generates economic development by:

> "...destabilizing the status quo...[and creating]...a set of opposed classes ... thereby implanting the mechanism that will move the society toward economic development" (Gilpin: 1987.272).

This is not to imply that Marx necessarily saw capitalism as a positive force. On the contrary, he advocated that capitalism, in the process of developing societies, caused political conflict because nations rejected and disputed their position in the international division of labour. For the purposes of this theory's relevance to development perspectives, this amounts to the conflict between the advanced industrialized nations and the less developed states.

The underdevelopment position on economic development is divided into two perspectives: the structuralist theory and the dependency theory. The structuralist perspective concentrates on the features of the world economy which restrict the prospects for development, such as the poor terms of trade for less developed nations' commodity exports, whilst dependency theorists emphasize the manner in which the economy of a less developed country is controlled by the development and expansion of an advanced industrialized nation to which it is subjected.

To simplify, dependency theorists see development in one country as being inversely proportional to underdevelopment in another. Stavrianos (1981.35) aptly summarizes the dependency position:

> "Underdevelopment is not a primal or original condition, to be outgrown by following the industrialization course pioneered by Western nations. The latter are overdeveloped today to the same degree that the peripheral lands are underdeveloped. The states of development and underdevelopment are but two sides of the same coin".

This extract highlights the *process* which dependency theorists believe is so integral to underdevelopment in the Third World. They do not interpret underdevelopment in terms of a dual international political economy whereby the poorly developed states are isolated from and separate to the advanced industrialized nations. As Stavrianos points out, these theorists consider the international political economy as a functional integrated whole, whereby certain states prosper at the direct expense of others. The advanced industrialized nations cannot develop unless they are doing so at the expense of the less developed countries.

The structuralist position, whilst also focusing on the role of the international political economy on third world underdevelopment, differs from the dependency theorists in that it overlooks the *process* of uneven development and emphasizes the structural features of the world economy which hinder third world development. The most notable structuralist perspective is Immanuel Wallerstein's World Systems Theory which interprets the world in terms of the 'core', the 'periphery' and the 'semi-periphery'. The 'core' countries are the rich states and the less developed countries constitute the 'periphery'. States which cannot be as easily categorised, such as South Africa, are termed 'semi-periphery'. Chase-Dunn and Rubinson (in Stiles & Akaha:1991.28) write:

> "The main structural feature of this world-system came to be [the] division of labour between the emerging core areas producing manufactured goods and the emerging peripheral areas producing raw materials".

The creation of this international division, according to Wallerstein, dates back to the sixteenth century when the Western European countries began to dominate the world economy through trade with Eastern Europe and Latin America. Consequently, the structuralist perspective interprets the division between the core and the periphery in terms of an international market historically structured to suit the needs of the core countries which control economic transactions and possess large amounts of resources. This results in the structural aspects of the world economy, such as the bias in terms of trade and protectionism against Third World commodity exports, which the structuralists argue perpetuate the discrepancies between the core and the periphery. Under these circumstances, they contend that the peripheral countries will continue to remain underdeveloped because the international political economy is biased against their efforts.

It is evident that there is a great deal of controversy as regards the origins of underdevelopment. The two main perspectives - liberal and radical - provide an insight into the many plausible suggestions pertaining to the origins of the current twentieth century development crisis. Strategists shape their solutions to the crisis on the basis of what they perceive to be its origins. A simple example; a liberal strategist suggests that the underdeveloped country opens its market to the international economy whilst a structuralist calls for a New International Economic Order.

This section has sought to create a framework from which development strategies may be evaluated. It has discussed and outlined liberal, nationalist and radical theories applicable to the international political economy and to the development crisis. It has argued that solutions to the crisis invariably reflect perceived perceptions of its origins. It has been suggested that the World Bank derives its power from the advanced industrialized nations whose rulers created it, and that it reflects their values and interests which are best defined by the liberal position on the international political economy and development.

The World Bank approach to the Sub-Saharan crisis can be evaluated in terms of this framework. Whilst appreciating that every framework has its limitations, it is nevertheless a useful means of addressing the dialogue pertaining to the issue. These perspectives clearly emphasize the need for economic solutions but, apart from the liberal perspective, tend to neglect the role played by political and social variables. As was discussed in the first section there has, however, been a shift in this approach and more emphasis is being given to the role which internal political reform can play, irrespective of the structure and the processes of the international political economy.

It is in this light that the potency of the World Bank approach to reform in Sub-Saharan Africa can, and must, be analysed.

Chapter Three

THE DEVELOPMENT CRISIS IN SUB-SAHARAN AFRICA

Life in Africa is characterised by political fragility and economic underdevelopment. Having created a series of relevant paradigms, it is necessary to use these in order to contextualise and discuss the African crisis. This requires an identification and analysis of the political, social and economic dimensions of the crisis. Clearly, there is a need to perceive the crisis from two directly opposed points of view: firstly, the view which argues that the international political economy is to blame and secondly, that which suggests that internal factors pertaining to past and current policy errors are the primary cause behind Africa's failed development.

It follows, therefore, that the relevant issue is the extent to which the crisis is a consequence of African politics and the extent to which it is a consequence of the international political economy. Currently, both radicals and liberals, and Africans themselves, acknowledge that democracy in Africa must be attained. This does not imply that they all see it as the ultimate solution to Africa's economic recovery. It does imply, however, that in one way or another, Africa's poor political record is perceived as an inextricable part of its overall crisis. Some critics, like the World Bank (1989), believe that the attainment of democracy will pave the way for economic recovery, whilst others, such as Cheru and Green (1989), argue that whilst the installation of democratic values is necessary, it is not sufficient to bring about the economic recovery of the African continent.

Both these points of view are relevant to the ensuing discussion concerning the political, economic and social characteristics of the crisis. As the main issue is whether or not political reforms will bring about economic recovery it is useful to begin with an outline of Africa's main political deficiencies and to follow this analysis with a discussion of the economic and social issues. The task that follows is to establish the strength of the link between these problems and Africa's political weaknesses. Is it as strong as the World Bank suggests? Or, is the international political economy as pervasive and destructive as suggested by Onimode (1989)?

At the recent Organisation of African Unity (OAU) summit held in June 1991 one of the executive chiefs of the Economic Commission for Africa, Adebayo Adedeji (in *African Markets:* Sept 1991.3), reflected on

> "...the now-generally accepted realisation that the African crisis is basically political in nature, with serious economic and social consequences".

Interestingly enough, the conference admitted that the economic woes of the continent were linked to the lack of democratic values in various African countries and one of its major recommendations was that there be:

> "...limits to the tenure of elected political leaders, and a commitment by each African state to the rule of law, political pluralism, popular participation in governance and the protection of human rights" (ibid).

As an introduction to Africa's political crisis these comments are invaluable. They indicate, above all, that Africans are seeking to deal with their many, complicated problems and that they believe that this must begin with internal political reform. It is no longer acceptable or convincing to place the blame entirely on the international political economy - Africans have realised that the burden is shared. So too has the World Bank: its 1989 report entitled 'Sub-Saharan Africa. From Crisis to Sustainable Growth' notes that:

> "Responsibility for Africa's economic crisis is shared. Donor agencies and foreign advisers have been heavily involved in past development efforts along with the African governments themselves. Governments and donors alike must be prepared to change their thinking fundamentally in order to revive Africa's fortunes" (1989.2).

These statements suggest that both parties are more open-minded than they were previously. Opinions and suggestions from both sides indicate that pragmatism and necessity are becoming more a part of the crisis than political and economic rhetoric.

Africa's political deficiencies are wide ranging. They have been identified in terms of weak democratic values and traditions resulting in the prevalence of one party autocratic states lacking in civil rights, an excessive degree of political patronage and nepotism, widespread corruption, overstaffed and unnecessary bureaucracies - all of which have contributed to a general lack of confidence in African governments both on the domestic and international front. The lack of domestic confidence has led on many occasions to coups, as have ethnic and tribal issues. Together they have contributed to the widespread show of militarism which has compounded the problem of governing methods because military dictatorships have channelled government funds in the direction of arms and ammunition to the detriment of social needs. On the international level, the lack of confidence in African governments has negatively affected foreign investment.

These difficulties render the African state ineffectual and weak. Most significantly, they have persisted because the pervasive lack of democratic values has allowed them to flourish, simply because there has been no legitimate way of removing the government at fault. More often than not, the only means of removing the government has been through military means - a fact which accounts for Africa's frequent coup d'etats.

Sandbrook (1985.2) makes a very valid point pertaining to this issue when he writes:

> "This deterioration of the state signifies, among other things, a diminished capacity to rescue ailing national economies when the world economic climate improves".

He notes that under current circumstances, even if economic conditions improved on a global scale, it is unlikely that African governments would be able to solve their economic problems. There are two reasons for this: one, there are many vested interests at stake - politicians, bureaucrats and elite minorities who will seek to hinder any political or economic reform which might threaten their current political, economic and social affluence and two, government economic policy, in many cases, simply does not reflect a sensitivity to the diverse needs of economic and social development.

Political corruption has exacerbated these weaknesses. Indeed, corruption in Africa is recognised as one of the major political impediments to development initiatives and programmes. Claude Ake (1991.40) makes a valid point when he notes:

> "...the fact that most African leaders have been 'underdeveloping' the continent for years in spite of aid - indeed probably because of it. Between 1980 and 1988, sub-Saharan Africa received a total aid flow of $83 billion, yet during the same period the average annual growth rate was minus 2.2 per cent".

Ake's point is clear - much of the aid received by Africa's governments has been siphoned into personal accounts and has been used for political expediency. Issues such as this highlight why there is an urgent need for political accountability. Without it, political patronage and nepotism will continue to underlie and contribute to corruption in Africa.

Linked to this is the issue of unnecessary and excessive bureaucracy which is frequently cited as one of Africa's primary shortcomings. Overstaffed bureaucracies have contributed significantly to inefficient administrative capacity. The World Bank (1989.55) describes them as "woefully weak" and cites a number of good reasons for doing so. Broadly put, these reasons focus on issues such as overstaffing, poorly qualified staff, motivational difficulties and the compression of civil service pay scales at the expense of higher level staff. The Bank argues that these problems have significantly contributed to Africa's poor administrative capabilities. There is no reason to doubt this argument. As Sandbrook (1985.112) says, this can be described simply as "state decay", the result of which has been weak and misdirected economic and social policies that have compounded and exacerbated Africa's problems.

In addition to these administrative weaknesses, African government, as a whole, has been described as repressive and autocratic. Until recently, military dictatorships and one-party states were the norm across the continent. It is important to note at this point that whilst this type of government does not necessarily mean poor economic performance, in Africa's case there does seem to be a direct correlation between non-democratic governments and weak economic development. Botswana and Mauritius, for example, are frequently cited by the World Bank as model African countries because they are multi-party democracies with fast growing economies. Their success does not, however, suggest that democracy is a sufficient condition for economic development. What it does suggest is that democracy has created an environment which is receptive to development initiatives. Decalo (1991.156) clearly summarises this point.

> "Democracy is thus perceived as providing *a politically enabling atmosphere for economic development.* The World Bank unequivocally posits that *a causal relationship* exists between democracy and sustained growth, arguing that it is not mere chance that Africa's top economic performers, Botswana and Mauritius, are the only countries with true multiparty systems on the continent".

Whilst there is substantial evidence to back such assertions, it is important that these evaluations do not become too generalized. Circumstances differ from country to country as do the effects of the international economy. Thus, in some countries, even democracy may not provide the means to successful economic development. Nevertheless, the Bank is justified in its opinion - African government has provided critics with a substantial case for attributing the crisis to political ineptness. It is clear that political malfunctions have had an effect on Africa's overall economic performance.

Clearly, given the facts of the political crisis, the values and interests of those in power do not appear to have reflected an awareness, or understanding, of the type of economic and social engineering that development in Africa requires. This can be attributed to three reasons: one, many politicians and bureaucrats have benefited substantially from the corruption and political patronage, and it is therefore not in their interests to change what exists, two, those who have wished to change the political system have been unable to do so due to the lack of democratic apparatus and, three, the administrative capacity of African states is weak and unable to cope with demands put upon it by development issues. It is worth noting, however, that until the waning of the Cold War, the Western powers did little to eliminate this problem and often supported corrupt governments in the interests of international superpower rivalry. Whilst this does not excuse the corruption of Africa, it does suggest that there has been a certain amount of duplicity on the part of some Western governments.

This is a broad discussion of the political issues in Africa and a good basis for analysing the economic and social dimensions of the crisis. Economically, Africa is bankrupt. In the words of Decalo (1991.154), the continent has entered a "free-fall into economic oblivion". The continent is poverty stricken and the consequences are severe. Barber Conable, President of the World Bank up until September 1991, summarised the effects that Africa's economic crisis will have on the lives of ordinary people:

> "Low-income Africa is the only region of the world where the number of people living in poverty would, if current trends continue, increase by the year 2000"
> (Cater:1991.22)

Cater supports this prediction, noting that Africa is the only region in the world where population is doubling every twenty years and where total debt is greater than economic output (ibid). In addition, the continent is suffering the effects of environmental degradation and severe drought. Combined, these factors have a devastating impact on African economies.

Overall economic growth in Sub-Saharan Africa has averaged only 3.4% a year since 1961. This is only marginally faster than the increase in population. The continent's Gross Domestic Product (GDP) for 1987 was $135 billion - about the same as that of Belgium, which has only 10 million inhabitants (in comparison to Africa's 450 million) (World Bank:1989.16). The Bank acknowledges that experiences do vary from country to country, but that there are broad trends related to:

> "...low levels of investment and saving, inefficient resource use, weak institutional capacity and human resources, and a general decline in income and living standards" (World Bank:1989.17).

In addition to this, per capita incomes are falling and there is a shortage of food. African countries are finding it increasingly necessary to import food to feed their populations. This strains foreign exchange reserves which are limited due to poor terms of trade and Africa's weak export performance. According to *African Markets* (Oct 1991.3):

> "The buying power of African export goods fell by half between 1980 and 1990, and stiffer international

> competition in these products gave Africa a smaller share of the global market".

This is largely due to the fact that African economies are heavily reliant on the export of a few primary commodities and minerals for the generation of economic activity. Cheru (1989.29) cites some relevant statistics:

> "In 1983, petroleum accounted for all the export earnings of Libya, 95% of Nigeria and about 93% of Algeria. Copper brought in 83% of Zambia's total export earnings and 43% of Zaire's. Coffee provided 89% of Burundi's total export earnings and 64% of Ethiopia's. Cotton represented 45% of the total value of exports from the Sudan and 54% of the value of exports from Chad. Cocoa compromised 63% of Ghana's total exports".

These statistics show why economies which rely on one or two commodities are so vulnerable to changes in the international economy. If prices for their primary commodity fall overnight they have little else on which to rely. As Cheru (ibid) argues, African economies "are dependent on world market forces entirely outside [their] control". Put very simply, under these conditions foreign exchange resources have suffered considerably and African countries have struggled to find the foreign exchange necessary to import essential inputs and spare parts. This predicament is made all the more real by the fact that declines in world prices for Africa's export products resulted in a loss of $50 billion for African countries during the period 1986 and 1990 (*African Markets:*Oct 1991.3).

Quite clearly, these problems are beyond the control of any government, irrespective of its administrative capacity. The effects of the international economy play a large part in these issues and there is nothing any African government can do to change the terms of trade or the prices of export products. In other words, the installation of democratic governments will not change the cotton or the copper price. But, it stands to reason that an administratively efficient and honest government will cope with these problems more than one plagued by corruption and ineptitude.

Africa's debt is largely a consequence of the impact that the international economy has had on African economies. Cheru (ibid) attributes Africa's debt to declining terms of trade, declining official development assistance, OPEC prices hikes and the world recession, and growing African military spending. Coupled with the effects of severe drought, he argues that under these circumstances, African countries have little chance of economic recovery, let alone development.
Compared to the size of its economies, African debt remains the highest in the world. By 1990 the continent's debt had reached $272 billion which represented more than 90% of the area's Gross Domestic Product. In addition, it costs African countries more than $20 billion a year to service this debt (*African Markets:*Oct 1991.4). As Cheru (ibid) points out, these conditions have been exacerbated by rises in interest rates and the appreciation of the American dollar.

Again, it is worth noting that, for the most part, debt in

Africa can be attributed to the negative effects of the international economy on African countries. But, as Cheru (1991.33) notes:

> "African governments are not without blame in the debt drama. Many of them suffer from double and triple digit inflation, not only because of high interest rates and low export earnings, but because they mismanaged their economies. Their debt predicament has been aggravated by the large appetite many of them have for imported military equipment".

This extract supports those who argue that African political and economic mismanagement are principle causes of Africa's economic decline. It is important that these issues are not overlooked because ultimately, political mismanagement is something that African governments can control whereas it is unlikely that they will ever be able to control the international economy. Excessive military spending is obviously a direct manifestation of Africa's political shortcomings and hence, it is within Africa's sphere of control. The international economy, however, is not.

Another dimension of the economic crisis relates to Africa's agricultural performance. On the whole, performances in this area have been weak. This is due to the fact that after independence, African governments, often under the guidance and support of foreign experts, were led to believe that industrialization was the means of achieving economic growth and, to this end, the agricultural sectors were neglected. This has resulted in either stagnated or decreased outputs and fewer cash crops have been available for export. This is a factor which has contributed to the acute shortage of foreign exchange. Most obvious, however, is the fact that African agriculture has been unable to keep pace with the rise in population with the result that Africa has not been able to feed itself and is reliant on food imports (World Bank:1989.16) (*African Markets:*Oct 1991.3).

Related to agricultural problems is the fact that the historical leaning towards industrialization has created an urban bias whereby more attention has been paid to the needs of the urban population that to those of the rural areas. This bias has contributed to the production problems of today because it has curbed the incentives for peasants to produce. This assertion is best exemplified by the problem of over-valued currencies. Over-valued exchange rates contribute to the urban bias by making food imports cheap for the urban population and, simultaneously, discouraging the producers of domestically grown crops. The following example from Elliot Berg (in Ravenhill:1986.47/8) demonstrates how this can occur:

> "If the Ghanaian cedi were 10 to the dollar instead of 2 to the dollar, for example, each pound of cocoa that sold for $2 would yield 20 cedis instead of 4. The cocoa producer could be paid more cedis for his cocoa".

This overview of Africa's economic predicament indicates that the international economy has had grim effects on Africa's economic performance. It also notes Africa's own contribution to its economic decline. Having discussed the political and economic dimensions of Africa's crisis, it is necessary to evaluate the effect that they have had on the African population as a whole. This amounts to a discussion of Africa's social issues and problems.

An administratively weak and bankrupt government cannot adequately attend to the social needs of its country. Green (in Onimode:1989.31) describes Africa's social crisis in terms of "...human deprivation, social misery, mass poverty, dislocation, violence and death...". These conditions in African society are the bottom line of the political and economic crisis and, as Green notes, "[t]he radical worsening of the position of a majority of Africans is a fact" (1989.31). This statement is borne out by the fact that Africa is the only continent where the daily calorie intake per person has fallen in the last decade (*African Markets:* Oct 1991.4).

One of the most worrying long-term dimensions of the social crisis facing African countries is that pertaining to population growth. According to *African Markets* (Oct 1991.4). Africa has the highest population growth rate in the world. Currently, the population is estimated at approximately 480 million. It is expected to exceed 800 million by the year 2000. This problem, coupled with high levels of unemployment has significantly contributed to the crisis of urbanization which plagues most African countries.

Many of Africa's capital cities are surrounded by large shanty towns which are generally a picture of confusion and squalor. Sanitation services in these shanty towns are virtually non-existent and cannot cope with the growing amount of waste produced by the ever-increasing population. Growth rates of urban populations are increasing by approximately 6% per year (*Southern African Economist* April/May 1990.5)

At this point, it is relevant to note the method used by the United Nations Development Programme (UNDP) to measure and evaluate development. The UNDP defines human development as "...a process of enlarging people's choices" (*The Economist:* 26.5.90) The choices it deems critical are a long and healthy life, education and access to resources. Up until recently, it has been customary to evaluate development in terms of Gross National Product per head. This approach has, however, been challenged by the UNDP's Human Development Index (HDI) which dismisses the use of economic indicators under the assumption "...that there is more to life than GNP" (*The Economist:*26.5.90.). To this end, therefore, it has published a set of statistics which reflect the quality of life in countries based on life expectancy, education and access to resources. A sample of the results are illustrated in Graph 1 (pg 83). Clearly, in terms of the quality of life, Africa is the poorest and most underdeveloped region in the world. Even a country like Brazil, which is part of

Latin America and has an enormous international debt has a higher standard of living than Africa, as does East Germany, a country which has recently undergone immense social, political and economic upheaval. The graph shows the comparison between Africa's success stories, Mauritius and Botswana, and the rest of the continent. According to the HDI, all other African countries, with the exception of South Africa, have a lower standard of living than Kenya. The message is clear: in terms of basic social amenities, African countries are severely lacking.

In support of the findings of the HDI, Green (in Onimode: 1989.35) cites some statistics which depict some of the harshest consequences of Africa's socially weak political and economic policies. He comments on life expectancy and mortality in Africa, noting that it is far higher than in developed economies and that over 30% of all deaths in Africa are under-5's whilst the same figure for industrialized nations is 2.3%.

The implications of these statistics are far-reaching and frightening. In its 1989 report on Sub-Saharan Africa, the World Bank has isolated some of the problems within African society which have led to weak social infrastructures incapable of coping with rapidly growing populations, unemployment, starvation and death. The Bank notes:

> "Previous attempts to achieve universal coverage in basic health, education, and food security failed,

> partly because the efforts were swamped by soaring population growth and partly because public expenditure was devoted to other priorities" (1989.6).

It suggests therefore that family planning is the cornerstone for improved health care. Similarly, preventive and community-based medical care must become more readily available as must universal access to clean water - a prerequisite for better health. It is estimated that curative urban hospital care absorbs 60 to 70% of most African health budgets whilst rural preventative care only receives 10 to 15% of health budgets (Green in Onimode: 1989.36).

The World Bank (ibid) also notes the need for Africa to have a better educated population.

> "School enrollments have been vastly expanded during the past three decades, but too often at the expense of quality. Improving quality is now the top priority".

Like health care and family planning, this too will require that scarce resources are diverted from one sector of the economy to another. Politically, this may prove difficult but the long-term consequences will be rewarding. Africa needs to improve its literacy.

Green's statistics, along with the World Bank's suggestions, indicate how easily government policy can be misdirected as a result of economic and political weaknesses. Governments the world over tend to focus policies in politically expedient directions, but perhaps African governments have done so at too great an expense. A particular policy can benefit one sector of society to the detriment of another. This is one of the central problems of development in that programmes invariably favour one sector of a society and threaten another. Green writes that:

> "...redistributive conclusions might be very radical and antagonise some very powerful beneficiaries of the present allocation patterns". (Green in Onimode: 1989.35).

Like Goldsworthy (ibid), Green acknowledges that development strategies, in the short run, have a tendency to be zero-sum in nature and invariably require a trade-off between different sectors of a society. The bias towards urban curative health care is a clear example of a direct trade-off between urban and rural sectors with the political implication being that the urban sector provides the base of political support for the government. Furthermore, the African experience suggests that there is a limited budget which cannot meet the most basic needs of all members of the society. A consequence of this is that scarce resources, understandably, have been channelled in the most politically expedient direction.

These social problems clearly demonstrate how political matters have affected policy choices and why governments are reluctant to implement strategies which require a radical redistribution of resources. Nevertheless, the magnitude of death, starvation and poverty in Africa requires that African governments make a concerted effort in the direction of social policy. The situation, as it exists, is a matter of life and death for many African people. African governments must therefore seek to alleviate these conditions as part of their duty to the people for whom they govern.

Thus far, the political, economic and social dimensions of the African crisis have been discussed. There is sufficient evidence to link a substantial part of the economic and social crisis to the political shortcomings of African government. Whilst appreciating that this is a broad statement, it does, for the most part, reflect a general trend. Nevertheless, despite the clear connection between the two, there is no doubt that the international political economy has played a large part in Africa's continuing economic decline and, that it would be an insular and biased approach which ignored this fact.

African countries, along with the rest of the third world, believe, and fervently argue, that conditions will not improve until the international economy is reformed and less biased against their economies. To this end, they support the demands made by Third World nations for a New International Economic Order (NIEO). These demands reflect their perception of the evils of the international economy and the particular areas which they believe need redressing. Galtung (in Stiles & Akaha:1991.287) argues that the NIEO is a macro approach to the problem of development to the extent that it deals with economic problems at a global level and is a blue-print for a new way of ordering the international economy. Essentially, the NIEO calls for improved terms of trade between the First and Third World, it calls for more control by the Third World over the world economic cycle and for increased and improved trade between the periphery countries themselves (Galtung in Stiles & Akaha:1991.287). In addition, it argues that less developed countries should have the right to form producer associations and that commodity prices should be linked to the prices of manufactured exports from developed countries. Furthermore, it asserts that they should have the right to nationalize foreign enterprises and gain sovereignty over their own natural resources (Gilpin:1987.289).

Demands for the NIEO have not been met because the Third World does not have the political or economic power to enforce its demands. Nevertheless, it is a sound basis for analysing and appreciating the effect that the international economy has on African economies. It accounts for their claim that their economies cannot recover under present global economic conditions and indicates why they have argued in that past that domestic political issues are secondary to the effects of the international economy.

There is no doubt that international economic conditions have played a significant part in African underdevelopment and, that like the liberals, underdevelopment theorists do make a valid point. Clearly, given two such strong and valid arguments it is obvious that both sides have something to offer in terms of the quest for causes and solutions to the African crisis. The task that currently exists is for strategists to take both these perspectives into account when formulating development programmes. The most important issue, however, in terms of Africa's need for political reform, is, as the World Bank (1989.2) notes, for the basic initiative to come from within Africa. African countries cannot hope to cope with the forces of the international economy until they have their own political houses in order. But, the nature of the international political economy does render international support and aid for African countries a vital and necessary part of an overall development strategy.

This discussion provides the springboard from which the World Bank's approach to African development can be evaluated. The political, economic and social aspects of the crisis have been discussed in terms of general trends, highlighting the wide range of problems confronting development strategists. The discussion has also shown that both liberal and radical critics have sound points of view as regards the origins and causes of the crisis. This in itself makes development a complicated issue in that it must be tackled on two fronts. These difficulties must be approached with a sensitivity to the political consequences which will inevitably arise, given the nature of current patterns of wealth and power distribution in Sub-Saharan Africa. The conflict between immediate political expediency and long-term stability and growth has been stressed as a severe obstacle to the success of development strategies and is thus another factor which must be consistently taken into account.

Having identified the World Bank's approach to development as being essentially of a liberal nature, I will now evaluate and assess its role in Sub-Saharan African development.

Chapter Four

"CRITIC" OR "DONOR"?: THE WORLD BANK AND AFRICA.

As argued earlier in this paper, the World Bank operates in terms of liberal economic ideology. Although it does give some acknowledgment to the external origins of the crisis, the World Bank believes that Africa's crisis can only be alleviated through the implementation of liberal, free market economic principles. This has led it into direct political conflict with African governments who have, for the most part, designed interventionist economic policies akin to socialist centrally-planned models.

The World Bank is extremely critical of Africa's economic policies. By logical implication, this means that it is critical of Africa's political performance. The Bank's dislike for African political and economic domestic policies is clearly evident, and it is becoming more evident as time passes. Put bluntly, the World Bank has reached the point where it will not do business with African countries unless they show signs of implementing constructive and enduring political and economic reform.

During the 1960's, 1970's and early 1980's development priorities were economic. The emphasis was on how the economy was performing rather than how the people were faring. Recently, however, the focus has changed. This is due to two factors: one, the scale of the crisis has reached catastrophic proportions and two, the African continent is no longer primarily viewed in strategic, cold war terms. This has made a reassessment of policy in Africa necessary and possible.

This 'rethink' developed in the wake of the introduction of Gorbachev's 'perestroika' and 'glasnost' reforms in the Soviet Union in the 1980's and the collapse of communism in Eastern Europe. Undemocratic governments, as a result, have suffered intensified international criticism. Empirical evidence has discredited communism, socialism, Marxism, Leninism, totalitarianism and authoritarianism. Today, a democratic government operating in a society adhering to free market economic principles appears to be the only internationally acceptable way of governing. It is a fact that African governments are far off this mark. These issues have played a significant part in shaping current Bank policy in Africa - the result, apart from continued economic conditionality, has been the introduction of political conditionality.

This is the current international and ideological context in which the World Bank's political and economic reform policies for Africa are being shaped. Having established this paradigm, it is necessary to discuss the history and reasons behind the Bank's involvement in Africa, the political and economic nature of its involvement (with particular emphasis on Structural Adjustment Loans and policy conditionality) and the effect that its involvement has had on African government, policy-making and the African population as a whole. This will lead to an assessment of the economic and political role of the Bank in Sub-Saharan Africa.

At Bretton Woods the World Bank was created principally to facilitate the restructuring of European countries after World War II. The role of the International Monetary Fund (IMF) was to give temporary assistance to strengthen countries with balance of payments problems. At the time, neither institution was expected to be dealing primarily with the less developed countries, and during the 1950's and 1960's and up to the early 1970's there was no major overlap in the activities of the two institutions (Havnevik:1987.25).

Third World debt, however, has made their separate roles in international economic affairs much less clearly defined. The IMF has reacted to this threat to global stability by acting, in the words of Loxley, "as policeman of third world economic policies" (in Lawrence:1986.97). To this end, it has assumed primary responsibility for short-term stabilisation and exchange rates whilst the Bank deals mostly with medium and longer-term structural reform (*The Economist*:12.8.91). There seems to be a general agreement that the IMF dictates economic policy and the Bank follows. As Havnevik notes:

"The Fund is still largely independent of the Bank, but it is not the other way around" (ibid).

The Bank will not, for example, give a loan to a country which lacks a stabilisation programme with the IMF (*The Economist*:12.8.91). To a large extent then, the Bank's policies reflect the direction taken by the IMF. The long-term aim of World Bank involvement in Africa has been to reshape economic policies according to free market principles. In the last twenty years this objective has broadened to include political issues. The result is that the Bank now uses economic muscle to facilitate the birth of multi-party democratic governments. It sees the attainment of both goals as the only sustainable way of solving Africa's crisis. Initially, the crisis was perceived as economic, but as has been repeatedly stressed, it is increasingly being defined as a political crisis with economic and social repercussions. The World Bank response to the crisis during the past decade reflects this change in attitude and emphasis. Its attitude is best exemplified by the nature of the loans and policies it has designed over the years for economically destitute African countries.

Initially World Bank involvement in Africa was primarily limited to financing projects such as the building of power-stations and roads. By the 1960's it had diversified into farming, education, population and urban development (*The Economist*:12.8.91.). In this role, its lending was predominantly to governments, government agencies and state-owned enterprises. After the oil price increases of the 1970's, the Bank, now lending to private businesses too, began to pay closer attention to links between government policies and the success or failure of individual projects. It soon became obvious that a "...good project in a bad economy was likely to be a bad project" (*The Economist:* 12.8.91). To counter this problem, the Bank stopped financing specific projects and created conditional loans whereby cash would be provided in return for promises of reform on economic policy.

The loans pertaining to this kind of lending were of two types: Sectoral Adjustment Loans (SECALs) and Structural Adjustment Loans (SALs). The former aimed at bringing about comprehensive policy and institutional changes within a particular sector of the economy whilst the latter contained the same provisions but were directed at the economy as a whole (Havnevik:1987.13). Thus, in exchange for access to international resources, African countries were required to alter their economic policies. As economic policy at the time largely derived from the government, this was an indirect attack on African governing methods.

The list of conditions clearly reflected the Bank's philosophy regarding the need for the market to underpin all economic activity. They were domestic price liberalisation, import liberalisation, the introduction of export incentive schemes, fiscal reform such as devaluation and an auction system to determine the exchange rate, increased incentives to the private sector and the strengthening of public sector institutions (Harrigan & Mosley:1991.73). Any recipient of a loan from the World Bank was required to commit itself to implementing some, or all, of these reforms. Apart from reflecting the Bank's liberal economic outlook, these conditions are typical of Western economic ideology and indicate the extent to which the Bank represents Western economic and political views.

Conditionality has become an integral part of World Bank policy in Africa. Today, the attack on African government is less subtle and far more explicit. In addition to the economic policy reforms it demands, the Bank demands a series of minimal political conditions which must be met in order for a country to be eligible for a loan. In addition to calling for multi-party democracies, these minimal conditions include:

> "...ending rampant official corruption; more transparent government budgeting; open and competitive bidding for large public investment projects; accountability of management of state-owned enterprises; and greater consistency in the implementation of regulations governing investment" (Feinberg:1991.36).

These conditions, coupled with the economic reforms, reflect the Bank's liberal orientation and the fact that the Bank analyses Africa's woes in terms of inappropriate government policies. In simple terms then, World Bank conditionality:

> "...typically provide[s] for extensive institutional and policy reform with the main focus being on allowing world prices a much greater say in the economies of Sub-Saharan Africa" (Loxley in Lawrence:1986.100).

Institutional and policy reform in Africa have thus become direct concerns of the World Bank. This means that the Bank, by virtue of the type of financial lending it has created, has stepped beyond the boundaries of a financial institution. In effect, it has become one of Africa's most vociferous critics and, in so doing, has found an extremely effective means of airing its views - and of ensuring that Africans put these views into practice.

The plight of Africa's economies is now so dire that they have little choice but to accept the World Bank's terms. As Loxley (1990.8) writes:

> "It is a measure of the severity of the economic crisis that so many African countries should acquiesce in the wholesale encroachment on national sovereignty which is implied by conditionality".

He continues:

> "Yet, this has not been a quiet acquiescence, as evidenced by the numerous publicly aired disputes between the international institutions and countries as diverse in size, economic strength, openness, ideological orientation and degree of economic crisis as Tanzania, Nigeria, Zambia, Uganda and the Sudan" (Loxley:1990.8/9).

These extracts, in addition to stressing the severity of Africa's woes, serve as an introduction to the international controversy surrounding conditionality. The controversy exists on two levels: firstly, it concerns the direct encroachment of national sovereignty and secondly, the appropriateness and effectiveness of the loans and their conditions to the African continent.

As this paper is concerned with whether or not the World Bank has a role to play in Sub-Saharan African development beyond that of providing economic aid, I will deal specifically with the second aspect. Clearly, conditionality *does* encroach on national sovereignty but debating the morality and legitimacy of this will not solve Africa's problems. It is far more relevant to assess the validity of the Bank's conditionality programme to the crisis, and the extent to which it has been effective. This will make possible an overall assessment of its political and economic role in Sub-Saharan Africa's development process.

Sub-Saharan African governments are under attack - and not only from the World Bank. With the demise of the Soviet Union and its Eastern European satellites, many are floundering ideologically and, consequently, their political and economic policies have become increasingly susceptible to international and domestic criticism. Governments are under constant pressure to initiate long-term reform on the political and economic front. Whereas in the past, criticism was aimed directly at misdirected economic policies, the current trend argues that constructive economic reform cannot occur under present undemocratic political conditions. 'Political accountability' is fast becoming the latest catch-word in international and domestic circles. As Cater (1991.22) writes:

> "Throughout Africa, there is new thinking and a new clamour for democracy, political pluralism, human rights observance and accountability of political leaders".

This new thinking is undoubtedly having some effect. Decalo (1991.153) notes that at the time the Berlin Wall fell, 38 of sub-Saharan Africa's 45 countries were governed by one-party systems, and that 18 months later, *half* had committed themselves to implementing competitive elections and limiting executive powers. According to Esterhuysen (1991.2) it seems certain that by the end of 1992, most of the 52 independent African countries will have introduced, or re-introduced, competitive party politics.

The issue that arises concerns the extent to which the World Bank has contributed to this movement towards democracy. It seems that international pressure, in the form of political conditionality, has allowed local discontent to express itself far more than it has previously. Paul Collier (1991.112) suggests that the current democratic mood in Africa is the result of a natural societal movement which has emerged as the policy errors of the past have become more evident and obvious. His premise is that:

> "...the emergence of a substantial domestic constituency which blames economic hardship upon past domestic policies is a necessary and sufficient condition for sustainable reform of economic policy" (ibid).

This argument is convincing but it could be argued that this pro-reform domestic constituency has existed for many years but has only been able to express itself in the wake of international pressure. Thus, it would be more accurate to suggest that it is a necessary, but not sufficient, condition for economic reform. Nevertheless, Collier is correct in arguing that the criterion for assessing the political effectiveness of the Bank's programme is "...whether it contributes to the emergence of such a constituency" (ibid).

Certainly, conditionality has sped up the emergence of a pro-reform constituency and contributed directly to the current change in attitude. It has sustained severe criticism over the years, yet it appears that for lack of feasible alternatives, African governments are succumbing to local pro-reform constituencies and international pressure. As time has passed, conditionality has helped politicians and the people as a whole see the policy errors of the past. The collapse of Eastern Europe has not been the only reason for the rise of democratic movements in Africa. According to Decalo (1991:154):

> "There was certainly a major spillover-effect, but it does not tell the whole story. The continent was ripe for a massive populist upheaval, and a number of internal and external factors played a role in leading the democratic pressures to fruition".

Like Collier, Decalo interprets the gradual shift to democracy in terms of "...deep societal frustration..." (1991:155). Africa's people have changed over time and policy errors are increasingly cited as one of the main causes of Africa's problems. He notes:

> "Populations are no longer reverent of political founding fathers, or swayed into politically quietest postures by charisma or ideology. They possess much larger pools of educated youth ... that are well aware of the democratic options available abroad but denied them at home by elites with little legitimacy intent on ruling forever..." (1991.155).

Clearly, Africa's move towards democracy is as much a product of local discontent as it is of international criticism. It is interesting to note that domestic reformers have begun, like the World Bank, to link inadequate institutional capacity to Africa's poor development record. Despite the controversial nature of the Bank's involvement in Africa, therefore, many African governments have succumbed to the international and domestic pressure it has induced. This has contributed to the domestic commitment to democratic reform.

In the past, many of Africa's leaders have argued against the establishment of democracy in Africa, suggesting that it is an alien Western concept, inappropriate in the African context. They argued that democracy in Africa would be a recipe for ethnic conflict and that it would not provide the population with its basic needs (Ake:1991.34/35). Africa's dismal development record has, however, cast doubt on these arguments. As Ake notes:

> "...Africa's failed development experience suggests that postponing democracy does not promote development; during the past decades of authoritarianism, Africa's standard of living has been falling steadily and its share of world trade and industrial output has been declining" (1991.35).

Whilst this does not mean that democracy will necessarily solve Africa's development crisis, it does suggest that the World Bank has been justified in linking Africa's generally weak institutional capacity to its failed development initiatives. There is little doubt that by focusing on the need for better government, and by stressing the importance of accountability and participation, that the World Bank has contributed positively to the democratic debate and movements occurring in Africa.

Thus far, I have argued that conditionality has successfully aided the formation of local pro-reform movements which, along with international events in the Soviet Union and Eastern Europe, have jolted the African continent into a halting democratic transformation. I have suggested that conditionality has helped politicians and people realise that Africa's current problems are largely a result of past policy errors and, that this is the World Bank's most significant achievement in Africa. It has been stressed, however, that democracy is a necessary, but not sufficient condition for recovery and to this end it is necessary to critically examine the economic effects, as distinct from the political effects, of SALs and conditionality. In other words, does the trend towards democracy guarantee the successful implementation of free market principles and hence, Africa's recovery? Experience has shown that free market principles cannot exist in non-democratic societies but, in Africa's case, does democracy necessarily imply economic recovery?

Answers to these questions will go far in providing an all-encompassing evaluation of Structural Adjustment Programmes and conditionality in Africa.

The World Bank has exposed itself to a great deal of criticism as a result of its adjustment programmes and conditionality. Structural Adjustment Programmes, for the most part, have been very unpopular amongst Africans because they have, due to their contractionary nature, initially caused further economic and social hardship. Thus, whilst conditionality has contributed to some degree of political and institutional transformation, the actual economic consequences of the Bank's reforms have been less successful. This may, however, be due to the fact that the Bank's recommended economic reforms have been implemented in unfavourable political environments.

The World Bank has isolated some of the practical difficulties surrounding the implementation of Structural Adjustment Programmes (de Soto & Orsini:1991.107/8). These difficulties highlight the other side of development's political nature. In Chapter One I argued that apart from the link between political capacity and economic development, development itself is political in nature by virtue of the fact that it has zero-sum characteristics. In other words, programmes aimed at generating development are usually detrimental to a certain sector of the population, so that gain in one sector may mean loss in another. Development programmes invariably threaten vested interests and political conflict can result.

The first difficulty identified by the Bank is in regard to that sector of the population which bears the brunt of the hardship which stems from the economic reforms. The Bank notes that the poor (which in Africa means the majority of people) "...pay the lion's share in the costs of adjustment" (de Soto & Orsini:1991.107/8) and that this makes the adjustment measures unpopular and difficult to sustain politically. Vested minority interests are another problem in that they feel that the reforms threaten their privileged access to power. Often, country authorities and technocrats disagree with structural adjustment and seek to obstruct its implementation. Another problem is that politicians and technocrats tend to prefer visible project aid, such as building public housing complexes, to structural policy reform. Finally, the Bank points out that there is a scarcity of competent staff able to carry out the reforms.

These problems reflect the many complex issues that Structural Adjustment Programmes have raised in African society. Most importantly, they suggest why they have been so unpopular and why they have met with such internal opposition. Bluntly put, the reforms initially cause severe economic hardship, especially for the poor and they threaten

Africa's powerful minorities who have thrived under current political and economic conditions.

In the rest of this chapter, I will discuss the economic effects of structural adjustment programmes and their political consequences. First, an economic definition of 'adjustment' is required. Essentially, it is:

> "...a transition from what is perceived as an unviable process to a sustainable one" (Riddell:1987.96).

More simply, adjustment aid is given to facilitate economic change with a view to creating an economic environment which will stimulate economic growth without foreign aid. Policy and institutional changes are thus central components of adjustment. It is with these goals in mind that the World Bank has sought to restructure African economies.

The Bank's policy recommendations stress the need for the market to lead the economy. Hence, a typical structural adjustment programme (SAP) advocates devaluation of the local currency, movement to an auction system for exchange rate determination, increases in domestic currency prices for exports, reduced budget deficits, price liberalisation, increased incentives to the private sector and employment and wage reductions in the public sector (Loxley:1990.10).

The Bank maintains that implementation of these measures will, in the long term, create an economic environment conducive to sustainable and equitable development. The rationale behind each policy is geared towards shifting the economy away from dependence on foreign imports, hence reducing balance-of-payments deficits, and encouraging local production, particularly in the agricultural sector, which has suffered in the past due to a variety of factors, such as overvalued currencies, which have made imports cheap. In the words of the Bank itself:

> "A devaluation raises the price of imports, which switches demand from imports to local goods. Exchange rate adjustments are a simpler and more effective way to promote domestic production than tariffs or other trade restrictions" (World Bank:1989.47).

Hence, by devaluing the currency the Bank intends that consumption shifts away from exports, which drain scarce foreign exchange reserves, to local goods. The intention is that this will stimulate internal production, agriculturally and industrially, and generate employment.

Put simply then, SAPs are geared towards the promotion of domestic production and reducing dependence on exports. It is argued that this type of economic strategy, implemented in a democratic environment, will stimulate local economic growth and encourage foreign investment which, in its turn, will incite further domestic growth. In the long term, this will make African economies more competitive in world markets.

In practice, however, the theory has not seemed as sensible.

Many critics seem to agree that SAPs have been implemented in inappropriate environments and have thus been dismal economic failures. The Bank's position in response, however, is that the strategy of adjustment with growth has helped African countries to begin to improve their economic performance. Before examining these opposing points of view it should be stressed that although both sides claim evidence to support their assertions, it is probably too soon to assess the long-term economic implications of these programmes. My views are thus offered primarily on the basis of short-term effects.

When assessing the effectiveness of SAPs, one of the most important issues is that of methodology. Lawrence and Seddon (1990.5) raise several relevant questions pertaining to analyses surrounding SAPs.

> "Is it possible to estimate how the countries adopting SAPs would have done if they had not adopted? Do we have a control group of non-adopter countries with similar characteristics to the adopters with which direct performance comparisons can be made? Would adopters have carried out SAPs anyway, even without an agreement with the World Bank and the IMF? How are strong and weak adopters to be defined? Does acceptance of strong conditionality mean its implementation?"

These questions are raised in response to the Bank's public announcements concerning the effectiveness of its programmes. It maintains that strong adopters of SAPs are faring better than weak ones (ibid). Critics such as Cheru (1989), Loxley (1990), Marshall (1990) and Parfitt (1990), along with the United Nations Economic Commission for Africa (ECA), besides questioning the methodology behind such assertions, are less enthusiastic about the consequences of SAPs, arguing that they have applied identical remedies, irrespective of a country's circumstances, that the SAPs have harmed the poor and that they have ignored the views of governments of developing countries. Most significantly, they argue that SAPs have failed to generate the promised economic growth and, in some instances, have contributed to and exacerbated political and economic instability.

This controversy has been ignited by statements published by the World Bank arguing that:

> "...when the performance of reforming countries is compared with that of non-reforming countries, there is evidence that the combination of reforms and added assistance has led to higher agricultural growth, faster export growth, stronger GDP growth, and larger investment - this, despite the less favourable terms of trade facing the reforming countries" (World Bank/UNDP: 1989.3).

Critics have attacked this statement and its implication that SAPs are achieving the desired results. They argue, in accordance with the questions raised by Lawrence and Seddon that there is not enough counterfactual evidence to make this type of assessment and that its statistics are based on dubious methodology.

Loxley (1990), for example, notes that the impact of SAPs differs from country to country depending on their economic structure prior to the adoption of a SAP. Basing his study on Ghana and Zambia, he concludes that in the short run Ghana, which many supporters of SAPs see as the success story of World Bank and IMF policies, could have been expected to perform better than Zambia, whose economic structure makes short-term gains from SAPs impossible. He further notes that Ghana's apparent success is unlikely to be reproduced in other African countries and that there is no guarantee that the current trend is sustainable. In other words, he is arguing that SAPs have different effects on different economies and that it is incorrect to suggest that what works in one country will thereby work in another.

Loxley's point is valid. He is not suggesting that SAPs are totally inappropriate to African countries; he is merely noting that it is inappropriate to apply the same remedy to each country and that the success of one country cannot be used to justify SAPs as a whole.

Marshall's paper on SAP in Mozambique (1990) indicates that whilst the programme has registered some measure of economic success, (in terms of growth in gross domestic product), the social costs have been extremely high. This has occurred as a result of the deregulation of the economy which is the central feature of SAP. Most goods are now sold without control prices and subsidies on food prices have been removed. This ended accessible prices for domestic staple foods. Graph 2 (pg 84) illustrates the increases which occurred between March and April 1988. Marshall summarises the effect that these reforms have had on the average person:

> "With the higher prices, many urban workers can no longer purchase the quota available per family. The consumer co-op network which had been part of the rationing distribution system finds itself in a cash flow crisis, without enough money to purchase the quantities of goods from the wholesalers to which their members are entitled through the rations systems. In Maputo, staples like macaroni which formerly had no shelf life now grow stale in the shops, not for lack of hunger but for lack of buying power..." (1990.32).

Even two wage hikes of 50 and 15% have failed to cushion the price increases which are a direct result of SAP. These difficulties are exacerbated by Mozambique's civil war and in the rural areas where RENAMO is active, the priorities have been day-to-day survival rather than 'getting the prices right' (1990.34). Consequently, agricultural production has not increased in accordance with World Bank/IMF predictions. As Marshall notes, their predictions are based on the assumption that African peasantries are:

> "...ready to increase production rapidly just through the incentives of prices and consumer goods" (1990.35).

She accurately points out that this is not the case because of extraneous factors such as war, drought and the fact that historically the peasantry has been marginalised.

It is clear that country-specific factors alter the effects of SAPs. SAPs do not take such factors as war and drought into account. Furthermore, in some cases the Bank may have over-estimated the productive capacities of the African peasantry. In some instances, it seems that economic predictions may have been thwarted by social realities and that Bank analyses are not always relevant in the African context. This has contributed to the high social costs of SAPs and made them difficult to sustain politically.

But, in support of the economic rationale behind SAPs, *The Economist* (12.8.91) makes a noteworthy point regarding their effects on the rural, as opposed to the urban, poor. It notes that whereas adjustment is likely to affect some of the urban dwellers, it will not necessarily affect the rural poor. For example, currency devaluation will not reduce their spending power because, unlike townspeople, they do not buy imports, and higher farm prices will make most people who work the land better off. Thus, the negative social effects of SAPs may not be as widespread as some critics suggest.

Research undertaken by Harrigan and Mosley (1991) indicates that the strongest beneficial effects of SAPs have been on balance-of-payments current accounts. This has occurred via the stimulation of exports and the curbing of imports. Their research suggests that there is a negative correlation between SAPs and investment and that GDP growth rates have been disappointing. Cheru (1989.40) has reached similar conclusions, noting that:

> "Although some African countries have improved their short-term trade and balance-of-payments positions, few have shown an increase in any of the indicators that measure real, sustainable development. Rather, most have slid backward amidst growing inequality, environmental degradation, deindustrialization and poverty".

These criticisms suggest that SAPs may fare well in some sectors of an economy but that overall, they have not generated the predicted results. It may, however, be too soon to tell, and as Harrigan and Mosely have observed:

> "Given that the Bank's ... reforms ... are primarily intended to stimulate the supply side of the recipient's economy, one would expect beneficial results to become apparent only in the medium to long-term" (1990.73).

Hence, it is likely that in the short term the economic decline which motivated the country to apply for a SAP will continue. To a certain extent, this accounts for their initial poor performance. But, after Harrigan and Mosley adjusted their time periods in order to account for medium-term performance, their results continued to reflect that SAPs have had a disappointing impact on GDP growth rates and that there was still a strong negative correlation between SAPs and investment (1990.91). Balance-of-payment positions, however, continued to show positive results.

They describe their results as "disappointing" and conclude by suggesting that the adverse investment effects will most likely have a negative effect on GDP growth. In addition, they note that these results must be added to:

> "...the weight of the evidence now accumulating which indicates strong adverse effects of adjustment as a whole on distributional and social welfare indicators" (1991.91).

The combined opinions of Harrigan and Mosley, Cheru, Loxley and Marshall reduce the impact of the Bank's enthusiastic announcements. Whilst it seems that SAPs have had positive effects in some areas, these benefits are overshadowed by the fact that from the average citizen's point of view, the rising cost of living has made life more difficult than it was previously. This has had severe implications for Africa's already precarious political foundations and has almost certainly contributed to the current widespread discontent. Many of the average people are unaware of the existence of SAPs and governments are thus forced to bear the full brunt of criticism.

A recent edition of *African Business* (Dec 1991), focusing on the effects of structural adjustment in Zimbabwe, notes that SAPs have not been properly introduced into many African countries and that most people simply do not understand why subsidies on food or price controls have been removed. This has done little to stem the rising tide of social discontent:

> "Opposition comes from workers as inflation bites into their incomes and mortgages rise, as well as from civil servants who face retrenchment as part of an exercise to cut state-sector costs" (ibid).

It may well be that many governments have deliberately not informed their electorate of what the SAP entails so that the World Bank can be used, when necessary, as a scapegoat. For some governments, it would be political suicide to admit to supporting externally-imposed policies with such severe social consequences. Some SAPs, therefore, have been implemented in countries where the population is unaware of both the economic rationale behind the reforms and of the heavy short-term consequences they will pay in return for long-term improvements. In the long run, this 'strategy' has increased opposition to the government and intensified calls for democracy and political accountability.

Africa's grievances regarding SAPs have been documented by the ECA. The document basically asserts that SAP is associated with weak or negative growth and that the "draconian changes" required have had severe adverse affects on the living standards of ordinary people and such vulnerable groups as woman and children. The Bank's response to these accusations has been to note that SAPs "have been adapted to mitigate their social costs" (Parfitt:1990.131). It also acknowledges that when a country starts implementing a SAP from a high degree of distortion that the process must be managed more carefully with regard to timing, pace and scope to avoid disruption (1990.140). It does not, however, change its overall attitude to development in Africa and continues to emphasize that SAPs must be continued, albeit in a "more nuanced and sustainable manner" (ibid). Underlying much of the criticism is the fundamental belief on the part of many critics that SAPs are not appropriate to the circumstances of African countries as they fail to address the root causes of underdevelopment and unequal exchange (Cheru: 1989.38). It is also argued that SAPs favour the advanced countries because of their tendency to:

> "...put heavy emphasis on export promotion to increase export-earnings to pay debt rather than reorienting African economies toward production for domestic consumption and the utilization of local resources to

achieve self-reliance" (Cheru:1989.39).

These issues suggest that on a broader scale, SAPs can also be analysed in terms of an overall strategy on the part of the West to create an economic climate conducive to the values of international capital.

This discussion has indicated that SAPs have not been unqualified success stories. They have met with widespread resistance due to the initial short-term effects they have on the economy in which they are implemented. The Bank's claim that reforming countries have fared better than non-reforming countries has been refuted by critics who argue that improvements in the balance-of-payments position have not contributed to overall improvements in the general standard of living and that, if anything, SAPs have had a considerably negative impact on the lives of the average African citizen, particularly the urban poor.

This implies that, economically, SAPs have still to prove their worth. There is little evidence to suggest that African countries who have adopted SAPs are really in the midst of transforming from an unviable to a sustainable economic condition. The World Bank's argument is that economic reform cannot occur in politically unfavourable environments. This reasoning can be used as a partial explanation for the non-performance of SAPs but it seems, given the economic impact of adjustment, that the creation of democratic environments will not guarantee economic recovery.

Democratic environments will benefit SAPs to the extent that governments will be more accountable to the people and thus should be more disposed towards cultivating a politically receptive environment. A democratic government will more likely be receptive to criticism and opposition and will allow healthy public debate on adjustment. Reform is more likely to be sustainable within an environment where the government shows itself to be fully committed to the adjustment process and seeks to explain to the electorate the reasons for implementing such changes. It is also more likely to occur where the government is prepared to acknowledge that past economic policies have played a significant part in distorting the economy.

Thus, whilst democratic governments may provide African countries with environments more receptive to economic adjustment, they will not guarantee a smooth or easy economic recovery. This may, in the long-term, provide the World Bank with a pressing need to restructure and re-evaluate its approach to development in Africa. It may well find that the buck only stops with the structure of the global economy.

Structural adjustment and conditionality have had significant effects on the African crisis. From an economic perspective, the structural adjustment of African economies has been met with mixed reactions with some critics suggesting that it is too soon to evaluate their performance. Others have argued, with much justification, that the "draconian" measures have meant that the poor have borne the brunt of adjustment and are suffering more than previously. Some critics have noted that the effects of SAP vary from country to country and that it is therefore inappropriate to think of adjustment as an all-encompassing solution to the African crisis. Moreover, whilst the democratization of Africa is a welcome and much-needed occurrence it is not a sufficient criterion for economic recovery. There is no doubt that there is a pressing need for economic reform in African countries and that adjustment in some sectors is required, but given some of the social side-effects of SAPs, it is clear that Africa needs 'adjustment with a more human face'.

On the political front, conditionality has been more productive. I have argued that it has contributed to the formation of domestic constituencies calling for democratic reform and that to date this is the World Bank's greatest achievement in Africa. Conditionality has correctly identified many of Africa's past policy errors and contributed to a more open-minded approach to development on the part of many Africans. There is no doubt, as many Africans have admitted, that African government is in urgent need of reform. Conditionality, in the form of international pressure, has provided an impetus for political and economic reform. Whereas strategies fully honed to the appropriate needs of African development have yet to be discovered, conditionality has created an environment which accepts that the need to reform is great.

Having discussed the nature of the World Bank's involvement in African development, I will conclude with a discussion of the long-term implications of the Bank's involvement in African development. Particular emphasis will be placed on Africa's future prospects under World Bank conditionality and structural adjustment.

Chapter Five

SOME CONCLUDING COMMENTS

At the outset of this study I anticipated a conclusion that the installation of democratic governments would be a sufficient condition for Africa's economic recovery. I now understand that I had overlooked or underestimated the factors relating to the international economy with regard to the development process in Africa. My view now is that, although the installation of democratic governments would be a positive step forward for Africa, democratization can only ever be part of an overall solution to the African crisis.

I began by arguing that development is an intrinsically political concept because of its zero-sum characteristics. I also noted that development strategists, such as the World Bank, pay attention to the political environment in which economic strategies are implemented. The available evidence suggests that there is a correlation between stable government and the capacity for economic recovery and prosperity. This correlation, along with the World Bank's liberal economic outlook and the changed international environment, has increased its tendency to link economic recovery with political stability.

Through the economic and political conditions attached to its loans, the World Bank seeks to bring about a restructuring of

African societies, economically and politically. It argues that its economic adjustment programmes, if implemented in democratic societies, will enable African countries to adjust to and benefit from its relationship to the international economy. Perhaps contrary to its expectations, there is no hard evidence to support this assertion. Instead, the available evidence suggests that a country with a multi-party democratic political system is more likely to respond to the need for economic reform and to cope with the difficulties surrounding adjustment. It does not suggest that democratic governments will necessarily be economically prosperous.

The Bank's economic structural adjustment programmes have been criticized because of their harsh effects on the poor, and on vulnerable groups such as women and children. Contrary to the Bank's predictions, countries which have adopted SAPs have not shown signs of significant economic recovery. Whilst some countries have improved their balance-of-payments position due to the export-oriented nature of SAPs, the general rule appears to be that countries which have followed adjustment programmes have continued to show weak economic growth and have experienced a decline in external investment.

Ironically, the Bank has had more success in the political sphere. Through political conditionality, it has put pressure on African governments to reform their political systems and become more accountable. I have argued that without this pressure, Africa's halting democratic transformation may not have occurred. Democracy will have a positive impact on Africa. It will improve the continent's human rights record and it will provide an environment more receptive to economic adjustment and recovery. Governments will become more accountable to their people and less likely to indulge in corrupt behaviour.

Political improvement in the form of democracy is therefore a condition for economic recovery in Africa. The World Bank has correctly identified and responded to this reality. But, the evidence suggests that Africa will not recover unless there is some degree of economic reform in the international economy. On its own, even an administratively capable government can do little or nothing to change the terms of trade or the prices of export products. Yet, the prospects for the reform of the global economy seem even less likely than economic recovery in Africa. Put simply, the world's most powerful and dominant economic powers - the United States, the European Economic Community and Japan - favour the status quo because it works for them. The global economy reflects their values and interests; their economies benefit from its current structure. They cannot afford to, and do not wish to, make crucial concessions when current trading patterns benefit them as they do.

Thus, though political reform in Africa countries will improve matters, it is only part of an overall solution. International economic reform is also a necessary condition for Africa's economic recovery. Economic recovery in Africa depends on both criteria. SAPs and conditionality only deal with political reform and domestic economic recovery. They do not attempt to affect the problems caused by the structure of the global economy.

Hence, with the likelihood of reform in the international economy being slight, any chance of economic improvement in Africa now depends on its ability to respond to the calls for domestic political stability and accountability. This will increase its capacity to deal with the complex issues surrounding its fragile economic position. In addition, African countries must improve their economic bargaining strength through more inter-regional and inter-Third World trade.

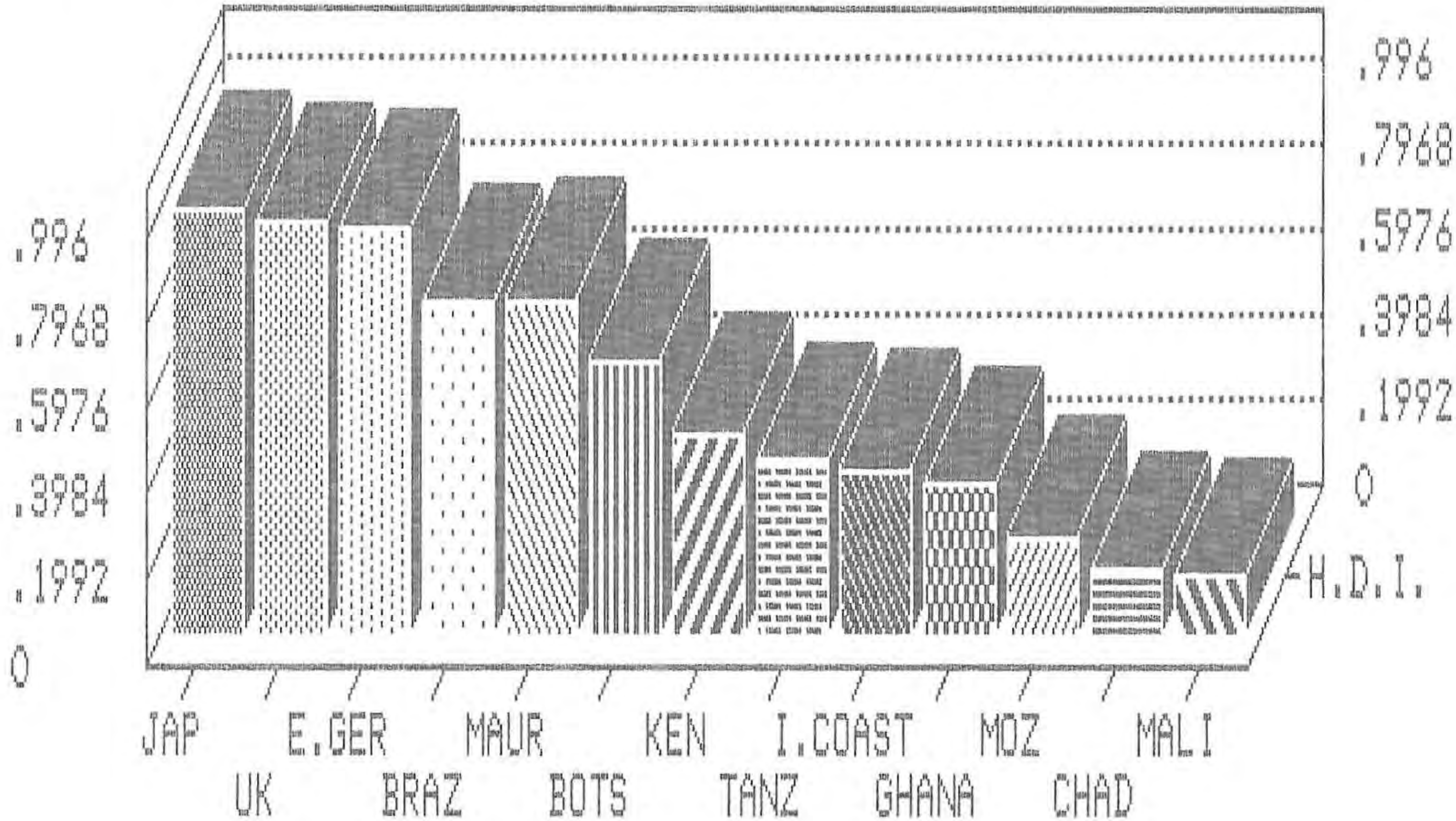
The World Bank plays a role in Africa beyond that of a conventional donor agency. Its involvement has had a direct effect on Africa's political systems - an area which transcends the everyday business of an economic institution. Economically, its impact has been less successful with some critics arguing that SAPs have worsened Africa's weak economic position. This suggests that the liberal economic values and interests of the World Bank are not necessarily appropriate to African countries because of the continent's fragile position in the global economy.

Development *is* a zero-sum game. Africa's recovery is dependent on concessions from the international community and from African leaders and elites. In order to improve the quality of the average African's life, these sectors must be prepared to compromise their values and interests. The World Bank, in its capacity as a critic, has identified this need at the domestic level, but has failed to respond to the need for international compromise. This could well explain the failure of its economic programmes.

The democratization of the African continent is therefore only part of the solution. A new global economic order is also a vital component. As yet, the World Bank is only showing signs of being willing to deal with the former, not promote the latter.

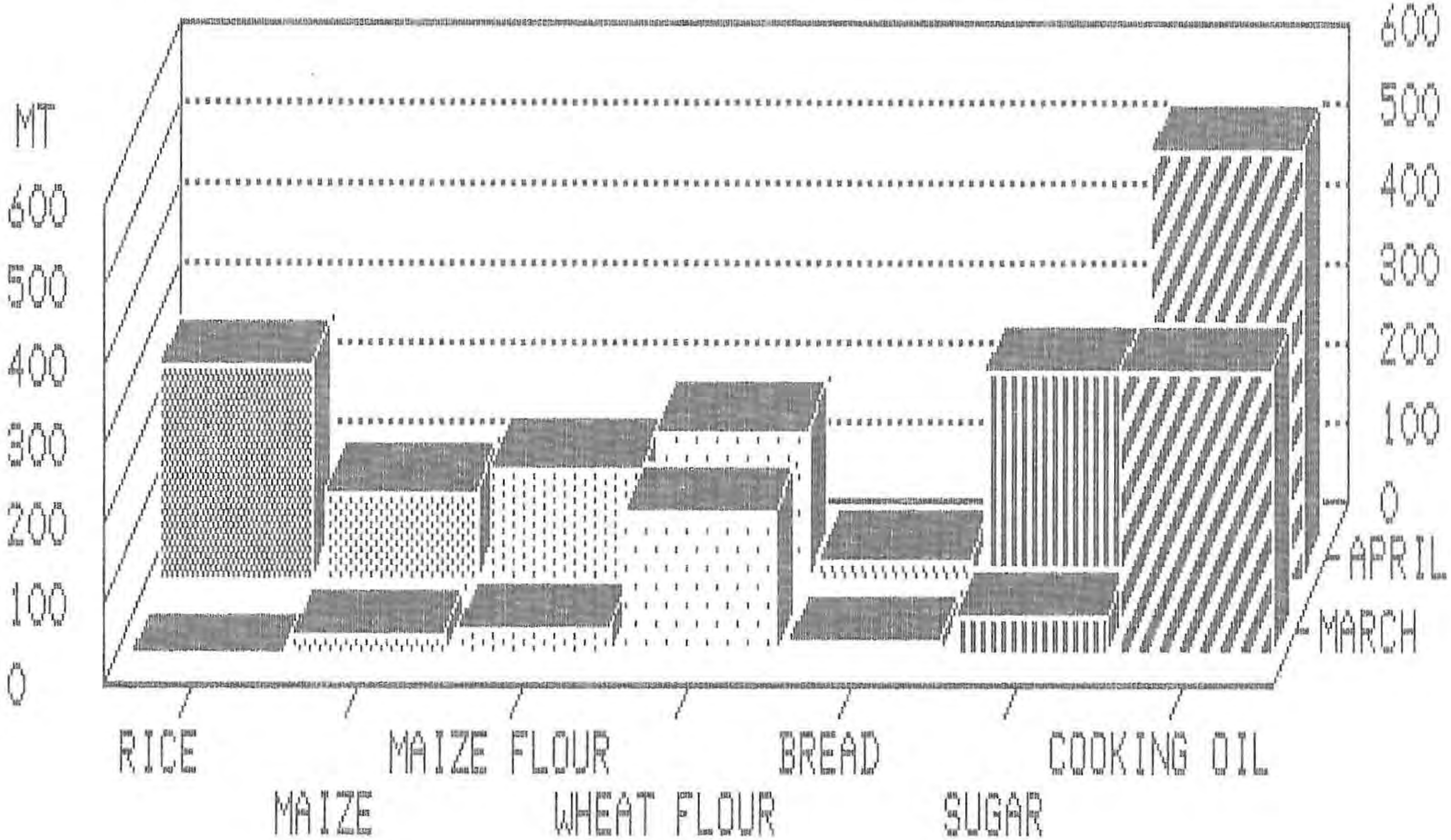
GRAPH 1: HUMAN DEVELOPMENT INDEX - A COMPARISON OF DEVELOPMENT IN AFRICA WITH SELECTED COUNTRIES OF THE WORLD.

SOURCE: The Economist May 26 1990 pg 79



GRAPH 2: PRICES OF BASIC GOODS IN MOZAMBIQUE BEFORE AND AFTER THE REMOVAL OF FOOD SUBSIDIES - MARCH/APRIL 1988

SOURCE: National Commission on Wages and Prices (Marshall:1990,31)



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