Editorial:

What Price Economic Reform?

This issue of ROAPE is mainly devoted to the question of 'economic reform' and its consequences for economies and people across Africa. This issue has been at the centre of the economic policy debate in African countries for over a decade. Much of this debate has been conducted around the question of the effectiveness of 'Structural Adjustment Programmes' (SAPs) and involves estimating their success according to the stated objectives of the programmes with respect to the economy in question. The World Bank's own analysis of SAPs' effects (reviewed here by Parfitt) has not surprisingly sought to show that those countries that have strongly adopted the SAPs have done better than 'weak', or non-adopters.

It is highly questionable that the criteria by which the Bank really should be judged is the success of its programmes. More relevant is the success of their nominal adoption in any form. The more countries which accept World Bank/IMF programmes in principle, the more it demonstrates those institutions' control over the management of the world economy and its indispensability in managing the programmes. Behind these two institutions lies US world economic hegemony, increasingly challenged by Europe and Japan. However, in spite of this challenge, the IMF and the World Bank still constitute the major channel through which the US exercises control of the world economy itself. Also in spite of the challenges to US hegemony from Europe and Japan, these two powers support the US in maintaining a world order which it leads. Hence, as Parfitt and Bullock show, the EC has begun to adopt SAP-type conditionality in its own lending policies.

However, the question of whether the SAPs are working is not irrelevant to this broader question of world economic hegemony. It is not in the longer run interests of the Bank and the Fund if SAPs are manifestly seen not to work in their own terms. Resistance to adoption by individual countries is likely to increase the less successful the programmes are: hence the need to convince doubters and critics that proper adoption of SAPs
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does the trick. Yet the evidence on this is not convincing. As Loxley points out in his study of Ghana and Zambia, similar policy recommendations can have quite different effects in different countries. These differences will depend on the structural characteristics of the economies concerned, and in the case of currency devaluations, on the nature of the export commodities. Loxley's analysis of the two cases also reveals the degree to which economic success, or failure, is determined by the IMF's willingness to fund debt created by its own policies. Where structural adjustment leads to increasing balance of payments current account deficits, the Fund is willing to support these as long as it is convinced that the 'right policies' are being carried out. However, even the Ghanaian 'success story' raises the question as to whether policies have been 'right'. As analysis of SAPs in the early 1980s suggested, increasing producer prices of agricultural exports does raise output (or better deliveries to official markets), but can, where the exporter has a large share of world market output, lead to excess supply and falling prices, leading to further devaluations and a cycle of currency depreciation and inflation. An accompanying effect of raising producer prices for export crops is a reduction in output of food, further exacerbating the balance of payments deficit.

Increasing food prices to mitigate these effects brings its own problems, as Loxley shows in the Zambia case. The need to subsidise consumer prices puts an increased strain on the State budget and attempts to reduce the budget deficit (as part of the IMF programme) impoverishes the population and increases the likelihood of 'bread riots'. As Marshall documents for Mozambique, import and internal trade liberalisation, price rises and subsidy removals have hit lower 'vulnerable' groups hard, with consequences for nutritional standards, while at the same time traders, larger farmers and private entrepreneurs, not to mention corrupt officials, have done well and are enjoying the greater availability of goods that rationing by prices allows higher income groups to enjoy. Insofar as the Economic Recovery Programme which the Bank and the Fund have initiated in Mozambique is leading to a wider spread of incomes and an increase in overall output, then it might be seen as successful. However, as Marshall observes, Mozambique is a country at war where 'getting prices right' in areas whether occupied by or attacked by RENAMO does not have much relevance and where a war economy with quantity rationing and state intervention does. What the Fund and the Bank need to do here is to address the problem of war economy first and what is needed, in terms of food and other supplies, to win that war and then to think about liberalisation in the post-war situation. Failure to do this suggests that the positive short-term results of the ERP in Mozambique cannot be sustained.

The pressure to reduce budget deficits, whether under SAPs or not, leads to the search for new sources of taxation. In 1984, the Tanzanian government instituted a new tax — the Development Levy — which unlike its similar predecessor, the colonial hut and poll tax, was to be paid by both men and women over the age of 18. Janet Bujra uses the debate around
the issue of women paying the Development Levy, to review the gender question as it has unfolded in intellectual debate and political activity in Tanzania. As she concludes, a key issue in this debate is not simply that women should be treated equally, or that they should not have to work harder than men, but how far a move to equal treatment means binding women to an international capitalist division of labour, especially in a period when the World Bank is backing an expanded capitalist agriculture which relies increasingly on women’s labour to make it work.

The World Bank itself has no public doubt of the effectiveness of its programmes. The last year has witnessed the development of a public debate around the Bank’s Adjustment and Growth. Both the ECA and UNCTAD weighed in with critical reviews of the Bank’s efforts at justifying its programmes. Such analyses are bound to raise questions of methodology. 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? In this issue of ROAPE, Parfitt presents an extended review of all these publications, revealing the contradictions in the Bank’s approach and the dubious methodology by which it constructs its claim that strong adopters have done better than weak ones. He also points out some of the mistakes of the Bank’s critics and the somewhat idealistic stance of the ECA’s strategy of ‘structural transformation’. What this debate has opened up are the apparent tensions within the Bank as the neo-classicals lose some ground to the more ‘humane’ elements who are concerned about the social consequences of SAPs. While both the IMF and to some extent the World Bank, have come to recognise the ‘social costs’ of transition in the recommended programme of reform and adjustment, and the Bank has begun to develop ‘compensatory programmes’ in a number of countries (for example, PAMSCAD in Ghana — discussed by Loxley in this issue), this apparent recognition has not been translated into anything more than marginal alterations to the major package of economic and social reforms being widely imposed as a precondition for further loan agreements. Egypt, which has struggled for two years to come to some agreement with the IMF without risking the kind of popular unrest experienced in 1977 as a result of the introduction of IMF-sponsored austerity measures, is a case in point, as Seddon describes in his account of negotiations between that country and the IMF.

The attractiveness of SAPs in formulating policy has now spread to the European Community. Lome IV has begun to follow the US lead in linking loans to the fulfillment of specific political and economic conditions, as Parfitt and Bullock show in their Briefing. Given the experience of SAPs, it would seem that the EC would shy away from such an arrangement with its African, Caribbean and Pacific (ACP) partners. Once again, it is
difficult to see the EC move as anything else but an attempt to exercise control over the domestic economic policies of the ACP countries. Is what we are witnessing the playing out of European/US rivalry to recolonise Africa? One of the major effects of SAPs in Africa, at least, has been for Fund and Bank officials to take over the running of economic policy from local civil servants, as Loxley and Marshall both observe. It would appear that such is the dominance of these non-nationals, that the Fund and Bank are concerned that countries should ‘own’ their SAPs, so that the populations of these countries do not turn against the programmes because they are the work of foreign institutions. The possibility that the EC is engaged, as Parfitt and Bullock suggest, in some re-construction of a Eurafrican empire should not be discounted. Certainly, the bringing of financial and economic pressures to bear on most African economies closely resembles the period before formal colonial rule, in which the colonising powers where such pressures were used to allow the colonial powers to take over the running of indigenous economies. This time we have the major world economic powers coordinating the restructuring of the world economy through the media of the World Bank and the IMF and under the contested tutelage of the US.

The financial and economic pressures which have brought third world countries to the doors of the IMF and the World Bank have largely resulted from the web of debt into which these countries have been trapped, whether deliberately or not, by developed capitalism and its financial institutions. In a polemical discussion of the role of debt in the world financial system, Hoogvelt shows how the international financial system has accommodated both indebtedness and corruption, handling likely debt default as easily as it launders illegal flight capital from third world rentier capital. She accuses the IMF of effectively sanctioning this process by becoming an international debt collector and manager of third world economies.

One of the main tenets of structural adjustment philosophy is the notion of the ‘market’ as the central institution underpinning economic activity. The post-colonial state stands accused of distorting prices and disenabling markets to function according to ‘hidden hand’ rules. So parallel markets have grown up. However, as Meagher, in a study of the operation of these markets points out, they grew up out of colonial restrictions on indigenous trade. She further demolishes the new orthodoxy by showing how structural adjustment policies, particularly devaluation, far from doing away with parallel trade because relative prices are ‘corrected’, drive farmers, traders and consumers even further into parallel circuits. The reason for this is that SAPs, by attempting to bring supply into equality with demand at higher prices, make it less possible for economic agents to satisfy their needs in official markets and thus drive them further into parallel markets which are able to offer higher supply prices and a wide range of affordable goods to buy with the income earned from sales. These markets are not impersonal creations out of the operations of impersonal forces, but real places and circuits where social forces interact to try to
structure them to their advantage. Until structural adjustment policies begin to live up to their name and address structures and the need to change them through deliberate state intervention, they will end up perpetuating parallel markets which feed on and help generate conditions of shortage.

Meagher’s work owes much to the contribution of the Hungarian economist, Janos Kornai, to the understanding of how what we used to call socialist economies operated under conditions of shortage. All sorts of private arrangements, even between individual state-owned enterprises try to find a way around the rigidities of the plans, or around the cosy relations between enterprises and their supervisory ministries which have over the years maintained these economies in a cocoon. Finally the skin has burst and we have been able to witness, with increasing amazement, the democratisation of Eastern and Central Europe, and even the USSR itself. This is likely to have two main effects on African political economy. First it will lead to further assessments and redefinitions of what constitutes a democratic socialism, the subject of a forthcoming volume of papers from the 1989 ROAPE Conference. Secondly, and more critically, it could lead to a diversion of necessary aid flows from Africa to Eastern Europe to rescue the latter’s disintegrating economies. Already the World Bank is denying this notion of a zero-sum game and arguing, like true bankers, that they have ways of creating more credit to satisfy both demands. However, apart from increased demand for some of the primary commodities that have been in short supply in Eastern Europe, it is difficult to see how African economies are going to gain by these changes, at least in the short run.

Whether or not Eastern Europe plays the IMF-World Bank structural adjustment game, and the signs are that the EC and the US are giving them little choice, these two institutions are already touring the capitals of these countries touting SAPs, once again demonstrating the need to show they are in control. The EC is likely to be more interested in its Eastern than its Southern neighbours for the same reasons. While democratisation in Eastern Europe may have an influence on the demise of one-party states in Africa, as in Eastern Europe such democratisation may unleash reactionary and divisive forces feeding off ethnic, religious and national differences and culminating in a return to a different kind of authoritarian state.

Peter Lawrence and David Seddon
Structural Adjustment in Africa: Reflections on Ghana and Zambia

John Loxley

An analysis of the experience of Ghana and Zambia in operating structural adjustment programmes (SAPs) illustrates well the debate taking place on the appropriateness of these programmes in the context of African economies. Both countries faced major economic crises in the 1980s. While supporters of SAPs see Ghana as the success story of World Bank and IMF policies, Zambia is regarded as a prime example of failure because of non-adoption of these policies. However, this article shows why in the short run, Ghana could have been expected to perform better than Zambia anyway. It further shows that the Ghana programme is not likely to be replicable by other countries and that even in Ghana, the relative success of the programme may not be sustainable. In analysing Zambia's experience with an IMF/World Bank programme, it is argued that her economic structure made short-term gains from adjustment impossible and led to the programme's abandonment in favour of a government programme which itself failed to address fully the nature of Zambia's economic crisis. Given the weakness of world commodity markets and the inadequacy of international capital flows to these countries, not only Zambia, but also Ghana is likely to find the future very difficult.

Since the beginning of the decade, almost 40 African countries have pursued programmes of economic reform supported by balance of payments loans from the IMF and/or the World Bank, and shaped by the policy conditionality attached to those loans. The Fund and the Bank are, unquestionably, the dominant source of influence over African economic policy formulation at this point in time and are likely to remain so into the foreseeable future. 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. Yet, this has not been a quiet aquiescence, 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, Zaire, Uganda and the Sudan. These exchanges have centred on the appropriateness of adjustment programmes in the African context, and have been paralleled by academic debates on the same issue (Development Dialogue, 1980, Helleiner, 1983, 1986). This article seeks to further these debates by reflecting on the adjustment experience of two African countries, Ghana and Zambia, between 1983 and 1987, drawing on two recent studies in which the author was involved and to which readers are referred for more details (Loxley, 1988a; Young, 1988).

Ghana and Zambia are interesting case studies for the purpose at hand, because both have suffered severe crises dating back into the 1970s. Each has experienced steadily falling per capita incomes, an erosion of foreign exchange earnings with a consequent contraction in real import capacity, and severe budgetary problems (see tables 1 and 2). The causes of crisis were partly external; terms of trade moved sharply against both countries, export demand fell in the early 1980s, and drought caused periodic havoc, especially in Ghana in 1983. Zambia has also paid heavily for its opposition to apartheid. Domestic policy shortcomings were also, unquestionably, a major contributory factor as governments either failed to adjust to new external realities, or pursued policies which themselves generated further economic difficulties. Over-valued exchange rates, low prices for export products, unproductive investments and excessive state intervention are the most frequently cited policy failures.

<table>
<thead>
<tr>
<th>Table 1</th>
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<tr>
<td><strong>SELECTED ECONOMIC INDICATORS: GHANA 1975-87</strong></td>
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<tr>
<td>Real GDP (1975=100)</td>
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<tr>
<td>Real GDP Per Capita (1975=100)</td>
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<td>Inflation Rate (%pa)</td>
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<td>Balance of Payments, Current a/c ($m)</td>
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<td>Payments Arrears ($m)</td>
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<td>Merchandise Exports ($m)</td>
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<tr>
<td>Import Quantity (1968=100)</td>
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<td>Terms of Trade (1985=100)</td>
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<tr>
<td>Government Revenue &amp; Grants (%GDP)</td>
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<tr>
<td>Overall Deficit % GDP</td>
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<tr>
<td>Real Exchange Rate (1983=100)</td>
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<tr>
<td>Real Producer Price Cocoa (1972=100)</td>
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<td>Cocoa Output ’000 tons</td>
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Index of Real Wages: 1977=100
Unskilled Labour  
Senior manager-Civil Service

Source: Loxley, 1988a
Table 2
SELECTED ECONOMIC INDICATORS: ZAMBIA 1978-87

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<td>Inflation Rate (% pa)</td>
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<td>Gov't revenue/Grants %GDP</td>
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<td>27</td>
<td>26</td>
<td>27</td>
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<td>100</td>
<td>110</td>
<td>120</td>
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<tr>
<td>Copper Output (000 tons)</td>
<td>656</td>
<td>610</td>
<td>576</td>
<td>479</td>
<td>460</td>
<td>483</td>
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<td></td>
<td>1981</td>
<td>1986</td>
<td>1987</td>
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Index of Real Wages (1981=100)

Labourer  100  91  87
Skilled Miner ZCCM (Grade 4)  100  24  23

* = preliminary

Source: Young 1988 and IMF

Both countries adopted IMF/World Bank adjustment programmes with broadly similar changes in economic policy, viz: devaluation, movement to an auction system for exchange rate determination, increases in domestic currency prices for exports, reduced budget deficits, price liberalisation and increased incentives to the private sector. Ghana commenced its programme in 1983 while Zambia, which had been subject to continuous Fund conditionality since 1976, entered the auction phase in 1985. The Ghana programme is now hailed widely as a resounding success, with remarkable improvements in per capita income, the balance of payments, real government spending, and reduced rates of inflation. In the meantime, the Zambian programme has been abandoned, the government introducing its own initiatives which restrict debt-servicing to effectively only 6.4% of export earnings, reintroduce price controls, set a fixed and highly revalued exchange rate, and return to the administrative allocation of scarce foreign exchange. All of this has earned it the condemnation of the international community, and the withdrawal of assistance by the Fund, the Bank and a number of bilateral donors, including the UK.

This article seeks to examine some of the major issues of adjustment theory and policy which these two case studies raise. It will argue that there are a number of reasons why the Ghana programme could have been expected to perform better than that of Zambia; that it is unlikely that the Ghana programme could be easily replicated by other sub-Saharan countries and that, despite its remarkable success to date, there are a number of weaknesses in the Ghana programme which suggest more difficult times may lie ahead. Zambia's problems are not particularly susceptible to short-term solution, and there were serious design weaknesses in the
IMF/Bank programme which collapsed in 1987. At the same time, the government’s own programme does not address some of the critical economic problems facing the economy.

Impact of Devaluation
Perhaps the most controversial issue in African adjustment programmes has been that of devaluation. The Fund and the Bank tend to rely heavily on this policy instrument, preferring large, immediate depreciations to regain some historical level of real effective exchange rate based on purchasing power parity, followed thereafter by a flexible determination of the rate, preferably by an auction system. Critics have emphasised the structural impediments to supply and demand responsiveness to exchange rate changes in Africa, the likely inflationary consequences of devaluation, the negative impact on local demand, and the possibly destabilising effects of resulting shifts in income distribution (Singh,1986; Loxley,1986). Recent experience suggests that structural characteristics of the economy and, in particular, the nature of the principal export commodity(ies), are crucial in determining the impact of devaluation. These encompass, but go beyond, conventional measures of the responsiveness of supply and demand to price changes (i.e. elasticities). Thus, exchange rate adjustment in Ghana helped generate a strong recovery in traditional exports essentially because of the production and marketing characteristics of cocoa, the dominant export crop. Short-run formal market supply elasticities were much higher for this crop than suggested by production responses because of the prevalence of a large black market. This was made possible by the easily transportable nature of cocoa, the difficulty of policing large numbers of relatively small-scale, scattered producers, and the presence of cocoa producers in neighbouring countries. In addition, however, the low import content of cocoa and the simplicity of its technological requirements facilitated a short-run increase in production based on improved husbandry practices.

Between 1984 and 1986, it was also possible to expand exports of cocoa without adversely affecting world prices, which in fact rose sharply, because over the previous decade Ghana’s share of world output (recorded through official channels) had fallen from 25% to only 9%. Large increases in real producer prices, which devaluation enabled, helped stimulate an immediate expansion of exports, of output and of tax revenue. These effects combined to reduce inflationary pressures which in turn reduced pressure on unofficial exchange rates. Since the black market in consumer goods was predominant before the reforms, devaluation did not add cost-push price pressures but served instead to shift rents (the profits to be made from buying goods at low official prices and selling them at higher ‘free’ market prices) from black marketeers to the state, with the result that as food production recovered, the rate of inflation actually fell.

The impact of devaluation in Zambia was much less benign due largely to the very different nature of copper production and markets. Short-run
supply elasticities are much lower for copper than for cocoa and other tree crops. There was no black market in copper even when domestic producer prices were at less than break-even levels due to the over-valued exchange rate. This was because the industry is a state controlled monopoly and, in any case the physical properties of the commodity, as well as the structure of international marketing arrangements, do not lend themselves easily to smuggling. The import content of copper is quite high, and that of Zambia's, at a reputed 55%, is much higher than average, which means not only that short run supply is foreign exchange constrained, but also that the net impact on foreign exchange availability of an increase in exports, induced by a devaluation, is much less than it would otherwise be. Also, the copper industry enjoyed generous investment allowances and loss write-off privileges so that tax revenues on copper exports responded to devaluation only with a long time lag, while government expenditures rose almost immediately, generating demand pull inflationary pressures. Zambian manufacturing industry is also unusually highly dependent on foreign exchange, even by African standards, so that the cost-push effects of devaluation were immediate, the more so since the black market was so limited. The inflationary impact of devaluation was strengthened by the depressed state of the world copper market and by yet another 'structural' feature of the Zambian economy, the debt crisis. With debt servicing, excluding arrears, running at 95% of export earnings in 1987, and absorbing fully 52% of recurrent budget revenues, devaluation led to large increases in the budget deficit.

It would appear, therefore, that the structuralist critique of the efficacy of devaluation as an instrument of short-run adjustment in Africa has more validity in Zambia than in Ghana. Nonetheless, there can be no denying that the kwacha was over-valued and that, as a result, export industries of all types suffered. Furthermore, it is clear that both traditional and non-traditional exports responded to price incentives induced by devaluation, and especially when these were accompanied by export retention schemes.

The lesson to be learned from Zambia is not that there is no role for exchange rate policy, but rather that it must be used cautiously, recognising the structural impediments to the rapid closing of market, trade, payments and budgetary imbalances. The Zambian case demonstrates that devaluation can be quite destabilising if the rate is determined by 'market forces' under an auction system in a situation of acute shortages of foreign exchange and where demand is driven by speculation. The auction was highly donor-dependent and, it is generally acknowledged, was grossly underfunded. Demand was highly speculative, being driven in part by uncertainty, itself fuelled by incompetent and ill-advised state intervention in attempts to prevent rate increases, by the rising fiscal deficit and by capital flight. In the circumstances, the auction became very volatile and the exchange rate rose to over k20 per dollar, a level generally considered almost double that indicated by the requirements of international competitiveness. As this rate was passed through into domestic prices, the
government abandoned the auction and revalued the kwacha to k8 per dollar, a rate thought to be 50% lower than that required to enable the copper industry to finance itself on a self-sustaining basis, and too low to stimulate badly needed export diversification. This experience suggests strongly that a more managed and more cautious approach to foreign exchange liberalisation, might have provided greater stability and a longer lasting arrangement.

**Exchange Rate Policy**

The Zambian case study also raises theoretical issues about exchange rate determination which are not dealt with adequately in the literature. For instance, what exchange rate policy should a government pursue when facing a secular deterioration in its external terms of trade? Current IMF approaches to the exchange rate would counsel devaluation in the face of a loss of international purchasing power regardless of its origin. Whether the cause is domestic inflation at a pace greater than that of trading partners, or whether it is the result of a decline in the world price of a major commodity, the policy prescription is the same; devalue to restore levels of real relative prices! In effect, this means adjusting local prices upwards in the face of falling world prices. There are few other areas of economic policy where the Fund would counsel such blatant disregard of market indicators. In a similar vein, current theory provides little practical guidance on how Zambia should allow for the fact that its copper resource is rapidly reaching the point of depletion. Historical real rates of exchange at which some notion of 'equilibrium' in the balance of payments was achieved are as irrelevant in this situation as are historical calculations of long-run supply elasticities. On the other hand, allowing market forces to determine the exchange rate might lead to rates 'over-shooting' levels required to promote diversification in the rest of the economy, given the dominance of copper earnings, the narrowness of the non-copper market for foreign exchange and the weakness of non-price supportive policies for diversification.

There are indications that the IMF is beginning to recognise these problems. In a rare attempt to explore the theoretical underpinnings of the adjustment programmes it has been implementing for years, with much greater confidence than success, it might be added, the IMF (1987) recently conceded that

> While it is generally accepted that exchange rate adjustment is the simplest way of restoring a previously existing alignment of domestic and foreign prices that had changed because of domestic inflation or exchange rate movements among other currencies, it is more difficult to decide to what extent exchange rate policy should bear the burden of external adjustment that has become necessary for other reasons, such as long-run changes in the terms of trade, a change in net capital inflow, or a permanent decline in domestic resources associated with traditional export commodities.
These uncertainties do not appear to have permeated to the level of country programme staff in the Fund, though the issues have been raised with them for many years by African governments, for example, Tanzania in the early 1980s (Van Arkadie, 1983).

At the root of the exchange rate problem is the issue of domestic price formation and, closely associated, that of appropriate economic strategy. In the case of Ghana, the international institutions have advocated repeated massive increases in producer prices for exports. For cocoa, these amounted to 50%, 88%, 51% and 64% in the years 1984 to 1987. In real terms the increases were 12%, 63%, 29% and 25%. This scale of increases could have been absorbed only by very large shifts in purchasing power from rent earners or producers of non-traded goods or, by inflation induced by these groups seeking to defend their living standards. In the first two years of the programme rent absorption and income shifts seem to have characterised price adjustments. In 1986-87, however, the type of devaluation/inflation cycle predicted by structuralists seems to have emerged. The wisdom of such large export price increases is open to question on a number of grounds. First of all, it appears that by 1986 cocoa farmers had not only returned to using formal market channels and had raised production by improved husbandry, they had also begun replanting their tree stocks on a significant scale. It is questionable, therefore, whether the large real price increases of the last two years were really necessary from the point of view of export stimulation. Policy seems to have been guided by the mechanical application of two rules of thumb; the first that growers should receive no less than 55% of the world price in cedis, and the second that producer prices in Ghana should be high enough to forestall smuggling to neighbouring states. Little thought seems to have been given to the speed with which these goals ought to be pursued, or to the wisdom of the goals themselves in the face of farmer response to increased, and badly needed, incentives.

A major undesirable effect of these massive, persistent increases in the price of cocoa was a severe erosion of the incentive to produce food, with the index of the relative prices of food to cocoa (1977=100) falling from 184 in 1983 to only 42 in 1987. A similar but less extreme fall occurred in the food/non-food relative price index, from 138 to 55. These price trends were accompanied by a failure of the reform programme to address, directly, the non-price aspects of African food supply problems. This is not to deny that, in principle, certain general reforms, such as improvement in the supply of trucks, spare parts and fertilizers, might indirectly benefit food producers. In practice, however, the structure of price incentives and the absence of a coherent food policy meant that export crops were more likely to benefit from these than food crops. The result was that between 1984 and 1986 the per capita output of each of the major food staples in Ghana fell by between 10 and 30%. One irony of the world cocoa price collapse post-1987 is however, that the pricing rules of thumb have led to less inflationary stimulus, although the rate remains high.
Food Production Sector

It is a sad commentary on Fund/Bank programmes that the food production sector is treated as a virtual ‘residual’ in the programmes of most countries producing agricultural crops for export. The focus is on export promotion, and once consumer subsidies have been removed, the market prices of food are supposed to adjust in a ‘trickle down’ manner. This is assumed in virtually complete ignorance of the micro conditions under which food is produced, of possible competition/complementarity with export crop production in the use of resources, and of possible non-price constraints, for example changes in patterns of family formation or in long-term residential arrangements. It is not known, for instance, whether the migration of large numbers of women to towns is reversible purely through price incentives, but whether it is or not will be crucial in determining future levels of food production in the absence of radical changes in technology. It is imperative that African governments begin to study the food sector more systematically, using their own resources. This sector is too important to be treated so cavalierly by policy makers.

It is to be noted that Zambia is exceptional in sub-Saharan Africa in having succeeded in raising the per capita production of food dramatically since 1980, and to have done so partly as a result of pressure from the IMF. It is now self-sufficient in maize whereas at the beginning of the decade it was importing over 300,000 tons at a cost of almost $70 million. This achievement resulted in part from Fund insistence that the Government improve relative prices of agricultural products and, given the insignificance of agricultural export crops and the acute dependence on imported food, this necessarily implied food prices too. Equally important in raising food prices, though, were the lobbying efforts of a very powerful group of capitalist farmers engaged in food production. Yet retail prices of staple foodstuffs have not risen in line with producer prices (which, to some extent in recent years, have been devaluation-driven). Instead, urban consumers have, to some extent, been shielded by subsidies on maize meal. The result has been that an increasingly large proportion of scarce budgetary funds, now in excess of 15%, is being absorbed for this purpose. The pressure to reduce budget deficits led to attempts in 1986 to reduce these subsidies but these were aborted because of the rioting and deaths which ensued. It is to be noted that in revaluing the kwacha, the Zambian government has passed up the option of financing its deficit through copper export taxes and an implicit tax on consumers of imports, preferring instead to finance it through the printing press and a resulting general increase in the rate of inflation. There is, it is clear, no painless way of maintaining relative food prices in the face of large devaluations; the issue reduces to one of income distribution, to which we will return later.

Apart from the general tendency to neglect food, the emphasis on export promotion through devaluation is problematical for two other reasons. First of all, there are concerns that in the context of global crisis and widespread application of IMF/Bank adjustment programmes, so many
third world countries are being urged to follow this course that it will be self-defeating, leading only to competitive devaluations, expanded world supply and depressed world prices. This ‘fallacy of composition’ argument has been scrutinised closely by the IMF in a recent study (Goldstein, 1986), with interesting conclusions for the case studies under review. The general finding was that these fears are exaggerated because third world primary products (to which, it is argued, the fallacy might most apply) now represent a much smaller proportion both of third world exports and of total world trade, than they did ten years ago. Also, it was argued, not all third world countries devalue simultaneously nor, even if they do so, do they necessarily produce the same goods. At the same time, the study recognises that the ‘potential for aggregate price consequences’ is much greater for some commodities than for others, depending on long-run supply elasticities and the market power of the countries involved. On both these counts, cocoa emerges as a commodity likely to suffer from fallacy of composition. Its long-term supply elasticity, estimated at between 0.45 and 1.81 is both relatively large and much larger than its short-run elasticity. Moreover, in 1981 at the onset of the most recent global crisis, the four largest producers accounted for fully 70% of world exports. Since that time, the three producers other than Ghana have either devalued significantly (in the case of Brazil and Nigeria) or (in the case of the Ivory Coast whose exchange rate is tied to the French franc), have raised producer prices as if there had been a devaluation.

Export Promotion
The IMF study also draws on the Branson and Katseli index of market power which measures a country’s share of the world trade in a commodity weighted by the importance of that commodity in the country’s own trade. In 1983, Ghana scored 0.1525 on the export side, a figure more than twice as high as that for the average IMF programme country, and bigger than all others except Saudi Arabia, Morocco and, significantly since it is a cocoa producer, Malaysia.

It is hardly surprising, therefore, that world cocoa output rose by a third between 1983 and 1987 and that prices collapsed in 1988 falling well below the floor set by the International Cocoa Agreement. While the Ghana programme had anticipated a 4% fall in prices for 1989, the actual fall was 21%. Given the dominance of cocoa in the exports of the country and the time it takes to diversify the export base, this price development introduces a severe ‘drag’ element into the recovery programme, and calls into question the sustainability of the pace of recovery. Yet the designers of the programme are remarkably vague about the impact of the planned expansion of Ghana’s cocoa output on world markets suggesting, for reasons that are not explained, that perhaps Malaysia will accommodate the increase by withdrawing from the market.

The situation with copper is similar, but more complex. Long-run supply elasticity is estimated at three times that of short-run elasticity, but even
then it is relatively low at between 0.30 and 0.65. The four largest producers accounted, however, for 60% of world output in 1981, and Zambia scored a high 0.141 on the Branson-Katseli scale, coming just after Ghana in export rank. Its closest competitor, Chile, also scored highly on this measure of market power, 0.124, and has devalued significantly since 1981 (by 38% in real terms to 1985. See Balassa, Bueno, Kuczynski and Simonsen, 1986:79). These factors undoubtedly contributed to soft world markets in the past decade, accompanied by weak demand due to product substitution. In future, however, the critical factor for Zambia is likely to be that of resource depletion. Proven reserves fell by almost 50% between 1975 and 1985, to a level equal only to the amount of ore mined over that period. The average grade treated fell by 20%, from 2.65 to 2.15 (Jourdan, 1986). Given the steadily increasing costs of production that this entails, and the prospect, ultimately, of reaching the physical limit of the resource base, historical estimates of supply elasticity are, as stated, irrelevant. The coming on stream of a third tailing plant last year will enable copper production to rise from 435,000 tons to around 500,000 tons, well below historical heights of 700,000 tons, but a level thought to be sustainable for the next decade or so. Thereafter, the prospects are for a rapid decline in production levels. Except in the short-run, therefore, Zambia is not itself expected to exert downward pressure on world copper prices, even if it does resume a policy of more flexible exchange rates, but such supply pressures are likely to continue to come from Zambia’s main competitors (Chile, Peru, Zaire) as they struggle to improve their balance of payments under IMF programmes. Adjustment in Zambia thus faces the double constraint of a weak world market, due in part to aggregate price effects, and a declining resource base for copper. This underscores the necessity for export diversification and, equally important in the Zambian case, efficient import substitution, but these will take time.

The other issue raised by the emphasis on export promotion is that of long-term economic strategy. Both countries are committed in principle to policies of national economic integration, but it is not clear how IMF/World Bank programmes contribute to this goal. If there is any significance to the term ‘structural’ in the adjustment exercise, and some critics question this, it does seem to suggest that export promotion is an end in itself requiring systemic changes in what Aglietta (1979) has called the ‘regime of accumulation’; in the nature and operations of the principal economic institutions, the structure of incentives, the distribution of income and wealth, and the balance of class forces that this entails. This would certainly seem to be the design of IMF/Bank programmes, suggesting that if such programmes are implemented as intended, they would rule out the pursuit of alternative economic strategies, not just in the short-run, but in the foreseeable future too.

The question which must be asked is whether it is possible to achieve short-run revival of the economy using these adjustment policies without closing off other options in the future. Countries such as Uganda, Tanzania and Mozambique certainly believe this is possible, and some of the
statements of the Minister responsible for the reform programme in Ghana intimate that he feels that restoring the 'forces of production' is simply a necessary prelude, not only to policies of national economic integration, but also to a more left-wing polity in general.

Yet there are aspects of the programme in Ghana which appear to contradict this interpretation. Despite heavy Ghanaian input into the initial reform programme in 1983, in recent years there has been an abdication of responsibility for policy formulation at most levels and in almost all sectors to the Bank and the Fund. This does not support a 'tactical' interpretation of resort to these institutions. The neglect of food, and the haste to expose domestic industrial goods to foreign competition raise doubts about Ghana's commitment to a strategy of integration, while the stress on privatisation and on attracting foreign capital combine to raise doubts about Ghana's ability at some future date to change strategic direction without severe political disruption. Finally, export promotion has been responsible for serious ecological damage in Ghana, and in particular, dangerously excessive deforestation. The forestry resource base has been reduced from 8.2 million square kilometres to only 1.9 million since the turn of the century. There will be permanent implications of this, in terms of soil erosion, climatic shifts and loss of resource base, which will impede strategies of national integration once current ones are abandoned.

Zambia's break with the Fund/Bank inspired programme has been accompanied by an emphasis on import substitution, which is not unreasonable given the very high import content of mining, manufacturing and commercial farming, but instead of promoting this through devaluation of the kwacha, the approach is to selectively deny access to foreign exchange to those industries relying heavily on imported goods. It remains to be seen whether this 'forced adjustment' will be effective, whether the foreign exchange allocation mechanism will withstand the inevitable pressure which will be brought to bear by those denied access, and whether controls will be by-passed by growing unofficial markets in both foreign exchange and commodities.

Yet, given Zambia's overwhelming dependence on copper, especially with the prospect of resource depletion, and given the time it is likely to take before import substitution measures become effective, it is difficult to deny the logic of IMF/Bank insistence on the need to diversify export earnings. Even if the Government were to pursue a broader, more balanced longer term growth strategy, such as an agriculture-led industrialisation programme, which some argue is a possibility in Zambia (Kydd, 1985), export promotion, while not an end in itself, would likely be a necessary component, if only to finance essential imports. It is highly doubtful that this could be achieved without some form of exchange rate related price incentives for exporters. At the same time, such a strategy is likely to require a set of economic policy reforms which go beyond those found in orthodox adjustment programmes, encompassing measures designed to
raise the production potential and the consumption standards of the vast majority of small farmers who currently have only minimal contact with either the state or the market.

**Debt Servicing Difficulties**

Differential debt burdens play an important role in explaining the conflicting adjustment experiences of Ghana and Zambia. Zambia's debt-servicing burden has been unmanageable for some years now, with current commitments being almost as large as total export earnings. If arrears are included, debt-servicing is the equivalent of 150% of exports. This problem arose, it should be noted, because Zambia was able to use its past relative prosperity as security for international loans. In the early 1970s, these loans helped shield the country from the full effects of the fall in the copper price. Now, however, the need to service them means that the full impact of the fall can no longer be postponed. Ghana's debt problem, on the other hand, has arisen partly as a result of having to repay debt rescheduled in the early 1970s but largely as an outgrowth of the reform programme itself. The debt-servicing burden more than doubled between 1983 and 1987, to 53% of exports, largely on account of borrowing from the IMF, but the impact of this increase has been cushioned by a recent Extended Fund Facility loan. Current IMF loans are, therefore, refinancing earlier ones and, for the time being, absorbing debt-servicing difficulties. The Ghana programme is in this way shielded from the kind of debt pressures which have been so central to Zambia's economic crisis. Yet, in regard to refinancing, there are strong similarities between the experiences of the two countries. The additional capital inflows they received under Fund programmes appear, in both cases, to have been absorbed almost entirely in paying off debt principal, arrears, or interest. It is for this reason that Zambia has up to now not lost any net inflows of foreign capital by adopting its 'conciliatory default' stance and may have gained up to $100 million a year. For Ghana the implication is that, in spite of receiving about $1 billion in additional funding over the average inflows of pre-programme years, the increase in its purchases of real imports between 1983 and 1986 was due entirely to improved terms of trade and improved export quantity. This emphasises the fragility of the current reform efforts, given the reliance they place on cocoa with its weak world market. In short, both programmes were partly a huge debt recycling exercise, but in the case of Zambia, few expected this to lead to any lasting improvement in the debt situation.

Both case studies, but in particular the Zambia one, highlight shortcomings in current approaches to managing the African debt crisis. Zambia's debt problem is clearly out of control, and the government's move to limit debt servicing is merely a recognition of this. In the absence of more far-reaching international initiatives to relieve African debt difficulties, one can expect other African countries to follow suit. The rigidities built into the debt management system by the inability of the Fund, the Bank and other
international institutions to reschedule their own debts is also apparent from these case studies. At the present time no less than 45% of Zambia's debt servicing is on account of such inflexible debt. Refinancing is the only option available at this time to deal with it, but this is strictly a short-term palliative and also (in the case of IMF debt) an expensive one.

At another level, these problems are indicative of the restricted volumes of capital flowing to support adjustment programmes in Africa and, in particular, the limited support being given by bilateral donors. In this respect, the Ghana programme is of special interest. First of all, few other countries are likely to receive the level of funding received by Ghana. Of the many proposals to increase capital flow to Africa, not one envisages the kind of per capita increase in real imports, of about 13.5% p.a., enjoyed by Ghana in 1983-1986. The World Bank, for instance, assumed an increase of only 1% p.a. (and a reduction of the debt servicing burden to 25% exports). For 14 low income African countries alone, which account for no more than a quarter of sub-Saharan economic activity, it estimated that this would require an additional flow of capital of no less than $1.5 billion p.a. (World Bank, 1986). Calculations of minimum levels of needs by the OAU/ECA and the Secretary-General's Advisory Group on Financial Flows to Africa (United Nations, 1988) of $4 and $5 billion p.a. respectively, are based on much more modest assumptions of real import growth, and even then, it is highly unlikely that these targets will be reached. Secondly, Ghana received relatively little support for its programme from bilateral donors, amounting to only $102 million between 1985-86 in non-project aid, representing no more than 30% of such assistance. Neither the Fund nor the Bank, upon which the programme relies so heavily, could expect to generalise their degree of involvement in Ghana across the continent, given their current level of resources.

The Ghana programme has been a classic example of adjustment with growth. So strong was the initial recovery that per capita incomes, per capita consumption and, even more unusually, real wage rates, all rose significantly. The political acceptability of the programme so far, owes much both to the underlying growth of the economy and, presumably, to the pragmatic incomes policy of the government. At the same time, the overall distributional impact can only be guessed at as, in common with all IMF/Bank programmes, the assumptions in this area were not made explicit, and data on distribution are not collected routinely. The increase in the real wage rate is tempered by the fact that the labour force has been cut and the incomes of small traders, largely women, appear to have been reduced significantly. These factors would serve to reduce the family income of wage-earners. Contrary to assumptions commonly made in the literature, the larger, wholesale, traders appear to have had sufficient market strength to raise prices defensively in the face of declining rents caused by devaluation. In the process, the margins of small traders have been squeezed, and as their numbers continue to rise in the face of steady population growth, rising urbanisation and growing unemployment in the
formal sector, their average incomes have undoubtedly fallen, even with the recent recovery in economic activity.

The Ghana reform programme has undoubtedly had an adverse impact on food producers and a strong positive effect on cocoa producers. In the first year of the programme, civil servants, and especially senior ones, suffered further severe cuts in real incomes. Since then, they too have experienced large increases in real earnings, and the policy has been to reverse earlier conscious attempts to reduce salary differentials between high and low-income civil servants. The argument is that the narrowing of the differential to less than 2:1 has been detrimental to incentives for senior, skilled staff. Between 1984 and 1986, the real wages of senior managers in the civil service increased fivefold, while those of unskilled public sector workers were also increased significantly, but only twofold. It is a measure of the seriousness of the crisis in Ghana that even after these increases, real wages of senior staff were only 36% and those of junior staff only 56% of their 1977 level. Reversing the trend in differentials and further increases in overall real wages will be more difficult to achieve as real GDP growth slows, as food prices begin to rise and as increased producer prices for cocoa are felt. Conflicts over income shares, which have so far been minimal, may yet become a major political issue for the government.

**Recovery Programmes**

In recognition of the fact that even after four years, the recovery programme had not addressed directly the social damage inflicted by the economic crisis and, indeed, that it had itself contributed to the damage in certain areas (for example, rising unemployment), the government of Ghana adopted in late 1987 a Programme of Action to Mitigate the Social Costs of Adjustment (PAMSCAD). This $90 million programme is the first of its type in Africa and seeks to help redeploy laid-off workers, to create an ambitious public works programme, and to improve health care (mainly through an essential drug programme), nutrition, literacy, educational facilities, and water supplies (World Bank, 1987b).

PAMSCAD represents a useful, albeit belated, effort to address social concerns. It is a sad reflection on Fund/Bank thinking that such considerations were not, and generally, still are not, built directly into adjustment programmes. PAMSCAD was tacked onto the end of the body of the reform package as a reluctant afterthought, under pressure from UNICEF and concerned bilateral donors. The IMF did not even see fit to send a representative to the meetings in which PAMSCAD was developed. Nonetheless, it is a useful initiative which, hopefully, will be extended in future to become an essential component of adjustment efforts. Donor support is reported to be enthusiastic but it remains to be seen whether the financing of PAMSCAD will represent a net addition to resource flows or simply a re-allocation of previous commitments.

The Zambian programme was not implemented in an environment of growth: on the contrary, in the face of the collapse of copper prices, it was
essentially an austerity programme and could not have been otherwise in the absence of massive countervailing capital flows. The distributional impact of the programme is, again, not known but from the fragments of data available, it appears, while the elite have been able to protect their living standards, middle and top grade miners have borne a disproportionate share of the burden of austerity. Their real wages fell by a staggering 77% and 84% respectively between 1981 and 1986, while real per capita GDP fell by 19%, as did real value-added in the mining sector. Lower paid miners lost 56% of their real wages over the same period. It is not surprising, therefore, that the rioting over the escalation in the retail price of maize meal when subsidies were removed in December 1986 took place in the Copper Belt. Attempts by the government to ease-in the price increases by targeting them at higher wage earners through the expedient of removing the subsidy on higher quality ‘breakfast cereal’, while retaining it on ‘roller meal’, thought to be consumed by lower paid workers, back-fired. This may have been partly because the higher paid workers had already suffered more than any other section of society. It was certainly also because millers shifted production to the more remunerative breakfast cereal, the retail price of which rose over 70%, so that roller meal was simply not available.

The Zambia subsidy debacle emphasises that a degree of competence is required of governments in working out and assessing the often complex ramifications of reform initiatives, especially when confronting decision-takers motivated by private profit who will seize on, and in the process often magnify, any inconsistencies in those initiatives. On a more general level, it also raises questions of timing in reform programmes about which the theoretical literature tells us little. Removing subsidies ought to have been phased in over a number of years, and the government now recognises this. Although their precise role in this particular case is not known, the Fund and the Bank have a declared preference for a fairly rapid pace of reform and this has been the subject of contention in Africa. Some observers felt that Zambia also moved too rapidly to the auction system, while in Ghana, the reform agenda is moving so fast and on so many fronts, that there are serious grounds for concern. Exchange liberalisation is proceeding rapidly with unpredictable effects on the availability of foreign exchange for local industrial production. The divestment of public sector enterprises is being demanded by the Bank without relevant holding companies first having an opportunity to comment or offer alternative proposals. The Bank is also pressing for a large increase in savings and investment rates to the point where per capita consumption rates are likely to fall by over 2% in 1987-88. This may pose an unnecessary threat to the already lukewarm political concensus in support of the programme. Finally, the pace of reform in Ghana is such that, given the acute constraints on the availability of skilled staff, the Bank itself has effectively taken over responsibility for designing the programme at almost all levels. While it is understandable that the Bank would seek to consolidate what some consider to be its only successful case of adjustment on the whole continent,
this degree of involvement takes the issue of infringement on national sovereignty a good deal further than do concerns about policy conditionality itself. Moreover, it creates a quiet scepticism among senior Ghanaians, many of whom, in private, tend to disclaim any responsibility for the current phase of the reform programme.

The tendency for forcing the pace of reform is accompanied, and in part perhaps stimulated, by a tendency for the real economy to respond to reforms more slowly and with longer time lags than generally anticipated. Price incentives to farmers in Ghana generated supply responses, and therefore export recovery, at a rate much slower than expected by the World Bank (1987a:7). It appears that some critical threshold of price increases needed to be reached before any significant shift of cocoa from the unofficial to the official market took place, and before farmers increased short term output. Non-price factors, such as the age of the cocoa tree stock, disease, and possibly shortages of labour and transport, also helped to constrain recovery. The mining sector suffered from acute physical disrepair of plant and equipment, as did the manufacturing sector. Problems of liquidity, lack of access to long-term capital, and shortages of skilled management have compounded the problems of industry in Ghana, so that revival was slower than expected after an initial strong spurt, and in spite of excess capacity of 50 to 60%. Such problems are not confined to Ghana (which now seems to have them under control), and seem to plague industrial recovery programmes elsewhere in Africa as, for example Uganda (Loxley, 1988b). In particular, liquidity problems are commonly encountered suggesting a possible internal inconsistency in IMF programmes between demand restraint measures and efforts to expand supply. It seems that high interest rates and local currency deposit requirements for foreign exchange applications favour sectors such as trade, which have a faster turnover of purchases. Even where foreign exchange has been earmarked specifically for industrial recovery, it sometimes remains unused because market imperfections impede access to local cover.

The principal time-lag in Zambia is that involved in the stimulation of non-traditional exports to replace copper. Price incentives through devaluation are a necessary but not sufficient factor. Schemes for the retention of a portion of foreign exchange earnings by producers have proven equally important, as they have in Ghana. But finding new markets takes time and requires a consistency of government policy which has been lacking in Zambia.

The economic crises of these two countries evolved over more than a decade, and recovery too is likely to take many years, whatever strategy is adopted. The Fund and the World Bank are confident that Ghana is, at least, on the right path and that its approach stands as a model for other African countries. Ghana's progress has, indeed, been impressive and, moreover, it has been sustained for over four years now. In a continent littered with failed and short-lived economic reform programmes, this is
quite a remarkable record. There are, however, serious questions about both the replicability and the sustainability of the Ghana model. It would tend to be more relevant for countries in which domestic supply constraints and foreign exchange shortages characterise the principal economic difficulties, and less relevant where excess demand and severe distributional conflicts predominate. Also, some external factors of vital importance to the success of the programme cannot be assumed to be applicable elsewhere. Unusually good weather permitted a rapid expansion of agricultural output, both of food and of export crops, which helped reduce inflationary pressures and alleviate foreign exchange shortages. Fortuitously, at the beginning of the programme, the terms of trade shifted strongly, by 37%, in favour of Ghana. Finally, as we have seen, Ghana has received unusually large inflows of capital. It is unlikely that other African countries will enjoy this combination of good fortune.

Whether or not the Ghana programme is sustainable is also a valid question. Cocoa prices are now depressed. The rate of inflation is still high due to three factors; cost-push pressures induced by recent devaluations, food shortages (caused by a return to more variable weather conditions and by the policy shortcomings discussed above), and pressures for wage and salary increases. The programme is obviously entering a new, more difficult, phase in which demand management and distributional issues will of necessity acquire more prominence. In the euphoria over achievements to date, there is a tendency to overlook the fact that per capita incomes in Ghana are still some 20% below their 1975 level, and that daily existence is a bitter struggle for large sections of society. These circumstances would seem to counsel caution on the part of the government with respect to policies designed to lower per capita consumption levels. They would seem also to call into question the wisdom of attempts at further rapid redistribution of income through very large and sudden shifts in relative prices.

Whatever the shortcomings of the Ghana programme, the Interim Economic Plan of Zambia cannot, unhappily, be said to constitute a satisfactory alternative, as it does not deal adequately with the country’s over dependence on copper and all that this implies for instability and income inequalities. It provides no solution to the problem of raising export incentives, and only a partial, questionable one (rationing) for reducing import dependence. The large fiscal deficit is left untackled, and no concrete proposals are made for dealing with one of its major components, the maize subsidy. Massive inefficiencies in the marketing and processing of maize, which contribute to the subsidy problem, and which have long been criticised by the international institutions, are also not being addressed. Finally, the government’s confidence in its ability to control a wide range of consumer prices is certainly misplaced, as evidenced by the frequency of incidents, reported in the press, of price ‘gouging’ and black marketeering. Given the geographic location of Zambia, landlocked and bordered by no fewer than eight neighbouring countries, it would be remarkable if the situation were otherwise.
Until these weaknesses are dealt with, Zambia's programme cannot be said to offer a coherent alternative to the one it replaced. Nonetheless, it does contain two important lessons for other countries in Africa. In spite of its weaknesses, it serves to emphasise that it is possible for African governments to design their own programmes which do not depend on IMF/World Bank advice or funding. Secondly, it brings home forcefully the fact that once the debt problem has reached a certain order of magnitude, the international institutions lose their leverage over member states. To regain influence in Zambia, they will need not only to acknowledge at least partial responsibility for the collapse of the earlier programme, they will need also to offer Zambia conclusive evidence that a new programme will bring with it a higher level of net foreign exchange inflow than the current one. This would seem to require innovative solutions to Zambia's debt problem and these simply do not appear to be on the horizon. In the meantime, given the peculiarities of Zambia's debt problem, and a recent increase in copper prices, there are no immediate foreign exchange pressures at work forcing the country back to the bargaining table.

Ultimately, the sustainability of a programme is dependent on the generation and maintenance of a political consensus in support of it. Lately, the World Bank has come to realise this and has held a series of seminars in Europe and North America on how best to build consensus around its adjustment programmes. It was apparent in these meetings, however, that the Bank believed that consensus-building could be discussed independently of the design and content of adjustment programmes and of the process by which they are drawn up (see Gulhati, 1987:22-31). Bank representatives dismissed the notion of alternative approaches to adjustment and simply ignored calls for a more democratic approach to programme design. By doing so, they implicitly embrace the position of the IMF on the politics of reform, which is that successful adjustment requires 'strong' governments (Thorp and Whitehead, 1980:11), implementing programmes designed, essentially, in Washington. Such a view leaves little room for seeking broad based support for adjustment programmes, with all that this would imply for the distribution of adjustment costs and benefits, and underestimates the political difficulties which even strong, one-party states, such as Zambia, can encounter in forcing through unpopular reforms. Ghana has to a large extent been able to avoid this type of direct confrontation because of a favourable adjustment environment and, perhaps, because some of the more powerful beneficiaries of the former 'control regime' have been able to use their monopoly strength to offset loss of rents. Also, there is little public discussion of the reform agenda and opponents have been silenced by exile or imprisonment. The government is likely to find conflict avoidance more difficult in the near future as distributional issues come increasingly to the fore. At that time, the highly restricted base of participation in policy formulation and the weight of foreign influence in that process may prove to be a serious political liability.
Conclusion
The Ghana and Zambia case studies are useful in underlining the acute need for policy reform in sub-Saharan Africa, and in highlighting the main areas in which reform is needed. They also serve to emphasise how difficult adjustment efforts are likely to be, and especially so in the face of weak world markets and inadequate flows of international capital. There will be no miracle cures or rapid reversals of fortune for Zambia, while Ghana, after four years of remarkable recovery, is likely to find adjustment in the near future more complex and difficult to manage than in the recent past. The ground lost by both since the mid-1970s in terms of per capita incomes will not be regained for many years to come even on optimistic forecasts of growth performance.

The success of IMF/World Bank programmes in the short-run depends on the structural features of the economy in question, on conditions in relevant world commodity markets, and on expectations regarding net capital flows, including debt servicing outflows and official aid inflows. Climatic factors can exert an unplanned but critical influence over output and the domestic price level. Government competence and commitment to reform is crucial but broad-based political support for the reform effort is also necessary if coercion is to be avoided, and this is best achieved in a situation of overall growth and with a programme sensitive to distributional concerns. Current IMF/Bank programmes suffer from a number of internal weaknesses and inconsistencies which, while possibly prejudicing the return to or maintenance of stability in the short term, certainly raise complex questions about the strategic consequences of structural adjustment in the long term. On the other hand, programmes designed by governments themselves, which avoid the encroachment on national sovereignty implicit in programmes drawn up and imposed by the international institutions, cannot succeed if they fail to address the economic imbalances upon which Fund/Bank programmes focus, and if they do not map out a coherent longer term alternative development strategy.

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Bibliographic Note

Structural Adjustment and Social Policy in Mozambique

Judith Marshall

This article analyses the social costs of Mozambique's Economic Recovery Programme, sponsored by the World Bank and introduced in 1987. The programme has had some success in arresting economic decline, though not as fast as anticipated. However, social differentiation has increased, with traders, large farmers, corrupt state and military officials and private entrepreneurs gaining from the changes, while women, children and the poor in particular are finding their standards of living dropping sharply with devastating consequences for their health and nutritional status. The article uses the findings of research studies and interviews with urban dwellers on the issues of food supply, education and health to support this analysis. The loss to the IMF and the World Bank of Mozambican control over economic policy, the increase in human suffering with its potential for social and political breakdown, and the appropriateness of the programme in conditions of war, are the three central issues which have to be faced by proponents of this kind of adjustment.

It's better now. Before there was nothing. When you needed something, there was nowhere to go. Now I know that if I save up for six months, I can buy a pair of shoes for my son or a pair of pants for myself (conversation with Joaquim Tembe, teacher, Maputo, August 1987).

I teach first grade at a school in Muegani, just outside Nampula. When my back pay from Zambezia arrived, we bought this house. I had eighteen months pay owing to me. The house was very expensive. Everybody blames it on the PRE [structural adjustment programme]. I don't know. Anyway, it was very expensive (conversation with Amisse Balanca, teacher, Nampula, July 1988).

When they put the prices up on May Day are they inciting the workers to strike? (factory worker at Maputo City Party Conference, June 1989).

The negative impact of Mozambique's structural adjustment programme on the lives of ordinary Mozambican citizens was a recurrent theme in the meetings leading up to the Frelimo Party's Fifth Congress in July 1989.
Both during the workplace debates throughout the country on the seven draft theses of the Congress and during the provincial and sectoral level conferences, delegate after delegate spoke to the suffering caused by the economic recovery programme, known as the PRE.

At the macro level, the PRE has registered some measure of success with positive growth figures in gross domestic product in both 1987 and 1988. At the micro level of human suffering, however, the economic recovery programme has had a highly negative impact on the social fabric. For the vast majority of the population, the PRE has brought extreme hardship, forcing most people to a series of desperate schemes and scams. The broader social fabric has deteriorated to one of individual survival at all costs.

At popular level, the ‘PRE’, the economic recovery programme, is seen to go hand in hand with the ‘PRI’, the individual recovery programme. Social differentiation has increased dramatically. A small group of traders, larger farmers, private entrepreneurs and corrupt officials in state and military structures is visibly prospering. One Nampula trader with interests in Maputo and Inhambane provinces and active trade links with Swaziland and South Africa indicated that he had more money in the first two years of the PRE than in the entire previous decade.

The Origins of ‘SAP’

The decision to mount a major economic reform programme in Mozambique dates back to the beginning of the 1980s. During the preparations for the Fourth Congress of the Frelimo Party in April 1983, Mozambican officials had identified significant policy errors as important factors in both causing and prolonging the crisis. The reports to the Congress indicated recognition that the state sector had become overly dominant. Perhaps the most striking aspect of the Congress was its strong critique of agricultural policies, recognising virtual abandonment of the family and cooperative sectors in favour of state agricultural enterprises, most of which were floundering precariously. Historically the family sector had been the backbone of agricultural production in Mozambique, including cash crops for export. The downward spiral of production in the rural areas was recognised as, in large measure, the result of the lack of investment in both producer and consumer goods for the family sector. Their absence resulted in peasant retreat from the market to subsistence production. The Congress called for both the family sector and the private sector to play much greater roles in the larger economic strategies.

Between the two Congresses, Mozambique has embarked on a major economic reform programme, dramatically intensified with the 1987 introduction of the IMF/World Bank-sponsored Economic Recovery Programme, PRE 2. A series of devaluations started early in 1987, with the exchange rate between the metical and the US dollar going from 42:1 to 756:1 by August 1989. In January 1990, with the exchange rate to the US dollar having reached 840:1, a new policy was introduced, pegging the
metical to a basket of convertible currencies. Imports have been liberalized, giving much more discretion to private importers. Foreign borrowing has been firmly limited while outstanding debts have been rescheduled.

Among the terms negotiated with the IMF/World Bank were halving the size of budget/parastatal deficits, limiting money supply growth and reducing the number of commodity groups subject to official price controls from 46 to 28. Reviews are taking place of the performance of state enterprises with a view to taking remedial measures, the state farm policy has been set aside and foreign investments are actively being sought. These reform measures led to an agreement in which Mozambique is to receive balance of payments loans of over $100 million per year from the IMF/World Bank. It has also opened the door to favourable debt rescheduling with bilateral donors including the US, the EEC and the Scandinavian countries. Requirements of no less the $6.5 billion are estimated between 1988 and 1992 (Loxley 1988).

Early indications suggest that the PRE is having some measure of success in arresting the economic decline. The combination of devaluing the currency by more than 1000 per cent, reducing government expenditure and increasing the privatisation of production and distribution has been effective. The growth rate for GDP in 1987 was 3.6%, marking a halt to the post-1982 declines which had averaged 8% annually. Mozambican Foreign Minister Pascoal Mocumbi reported to the United Nations General Assembly at the end of September 1988 that data available for the first six months of the year suggested an overall economic growth rate of 5% (Mocumbi 1988:8). This was still considerably under the 1988 goal, an ambitious 8%. The actual growth rate for 1988 was 5.5%. The figures for 1989 are not yet available, but it is anticipated that they would reveal continued economic growth.

The initial estimates of the PRE tended to overestimate the capacity for rapid recovery and underestimate the enormity of the social costs. They also totally neglected to analyse the appropriateness of an IMF package for a country at war.

**Structural Adjustment: At What Cost?**

The human costs of the structural adjustment programme are rapidly becoming apparent. Studies have begun to reveal the impact on the most vulnerable groups — women, children and the poor. A recent study carried out by the Ministry of Health concluded that the rising cost of living jeopardized the health and nutritional status of many urban dwellers. These studies along with the feedback on the impact of the PRE coming from various government reports, journalists and the donor community indicate a serious underestimation of the social costs of the economic recovery programme and a failure to question the inappropriateness of adopting the IMF formula of depressing urban incomes and channelling resources to the rural areas in a country at war. A brief look at the impact of the PRE on food supply, education and health gives real cause for alarm.
The PRE has had a significant impact on food and commodity availability and prices, a vital point for a country where food insecurity is of such alarming proportions. Food aid had reached US $200 million by 1987. At the time of the Fifth Congress in mid-1989, 7.7 million people in Mozambique’s total population of 15 million were wholly or partially dependent on food aid.

The first impression of food availability to anyone going back after an absence is one of abundance, both in the markets and in the shops, a stark contrast to the bare shelves in the 1985-86 period when goods changed hands only on the black market. Goods imported through the newly opened lines of credit, a modest but real increase in production from Mozambique’s own industries and informal sector producers and food aid, have resulted in a new availability of goods, a tendency already visible in 1987 and much more dramatic in the two years since. Market abundance, however, should not be mistaken for genuine economic development (Hermele 1988:1).

In mid-1987, the popular reaction was one of unqualified pleasure and relief. The situation a year later, however, was different, with wry commentaries about who had money to buy any of it — and what scams they had used to get it! By 1989, a delegate to the Maputo Provincial Party Conference declared the PRE ‘may be halting the decline of the economy but it has brought sorrow and misery to the people’ (AIM, 13-15 June 1989).

Deregulation of the economy has been a central feature of the PRE. Most goods are now sold without control prices. In March 1988, another change was introduced with the removal of subsidies from food prices. This marked an abrupt termination of what had been a pillar of social policy for urban dwellers over the years, guaranteeing accessible prices for domestic staples including maize meal, rice, pasta, beans, sugar, oil and soap. In Maputo itself, these goods were part of a rationing system, guaranteeing regular quantities and low prices of these scarce items even in the bleakest years. The impact of this change is dramatic. 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

<table>
<thead>
<tr>
<th>Table 1</th>
<th>PRICES OF BASIC GOODS IN 1988</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March</td>
</tr>
<tr>
<td>rice (kg)</td>
<td>40 MT</td>
</tr>
<tr>
<td>maize (kg)</td>
<td>27 MT</td>
</tr>
<tr>
<td>maize flour (kg)</td>
<td>38 MT</td>
</tr>
<tr>
<td>wheat flour</td>
<td>178 MT</td>
</tr>
<tr>
<td>bread (250g)</td>
<td>20 MT</td>
</tr>
<tr>
<td>sugar (kg)</td>
<td>50 MT</td>
</tr>
<tr>
<td>cooking oil (1)</td>
<td>360 MT</td>
</tr>
</tbody>
</table>

Source: National Commission on Wages and Prices
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, even with the across-the-board wage increases accompanying the various devaluations.

Even highly paid urban workers are hard pressed to survive. Pedro Jo is a trained secondary school teacher in Beira with nine years of basic education and three years of professional training. When I interviewed him in July 1988, he was taking home 39,700 of his 42,000 meticais monthly salary. Teaching night school added another 20,000 per month. This placed him in a category of highly privileged workers, far above ordinary urban wage earners earning the minimum wage at the time of 12,000 per month. Yet Jo indicated severe economic hardships in mid-1988 with the fixed monthly expenses for his family of four. In dollar equivalents, almost $100 of his monthly salary of $120 is spent on absolute basics. The breakdown of expenditures is as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>rations*</td>
<td>$30 - $40</td>
</tr>
<tr>
<td>rent</td>
<td>$12</td>
</tr>
<tr>
<td>water and electricity</td>
<td>$10</td>
</tr>
<tr>
<td>firewood/charcoal for cooking</td>
<td>$12</td>
</tr>
<tr>
<td>fish/vegetables for main dishes</td>
<td>$24</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$98</td>
</tr>
</tbody>
</table>

* at controlled but no longer subsidized prices: sugar, rice, oil, beans, maize meal and soap.

Interview with Pedro Jo, July 1988

This left Jo only $20 to be spread over all other items including clothing, transport, books and papers, hospital prescriptions, children’s school supplies and travel. The prices for clothing in July 1988 were about $30 for shoes or a pair of pants and $12 for a shirt. Even Jo’s high wage allowed no savings for major expenditures like a house, a bicycle or a stove, not to mention a death, a marriage or a new baby.

Table 2
THE IMPACT OF PRE SOCIAL INDICATORS MID-1988

<table>
<thead>
<tr>
<th>Cost for a family of 5 MT/month</th>
<th>Share (%) of minimum wage 12,500 MT/month</th>
</tr>
</thead>
<tbody>
<tr>
<td>food basket</td>
<td>13,000</td>
</tr>
<tr>
<td>rent, electricity</td>
<td>14,000</td>
</tr>
<tr>
<td>water</td>
<td>700-16,000</td>
</tr>
<tr>
<td>education (books)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Hermele 1988:20

The social indicators in mid-1988 showed clearly the impossible situations in which ordinary families found themselves. In the course of the year, the prices of rice, maize and sugar increased between 300 and 500 per cent. The two wage hikes of 50 and 15 per cent, plus an additional increase to cushion the loss of food subsidies have all proven quite inadequate.
The report presented to the Maputo City Party Conference when it met in early June points to the results of recent studies on the impact of the PRE on urban households. These studies show that over 76% of households now consist of more than seven people. At mid-1989 prices, it took 7,460 meticais (about $10) to feed a person per month. The new minimum industrial wage is 22,500 meticais per month and many workplaces have yet to put this into effect. A conference delegate responding to the report noted that he now earned 25,000 meticais (about $34) for his family of seven: ‘I need to ensure that my children eat maize flour on all 30 days of the month. I can’t manage it. What am I to do?’ (AIM, 9 June 1989).

The PRE and Rural Producers

For many wage workers, the wage question is only a small part of the household food crisis. Fernando Murrija is a worker in an urban food processing plant, CIM, in Maputo. He has worked there since 1966 and is now a section head. He managed to complete grade five in the factory school but then dropped out. As far as Murrija is concerned, his wages have always been of little consequence. He, like countless other urban wage earners, has always depended on farming to provide a fundamental input to his city household.

My children can’t survive on the salary I get. It’s only raising animals that saves us. What’s the use of my staying after hours to study when it’s the pigs that guarantee my family’s survival. I expect one of my sons to marry soon and I’ll have to contribute to the wedding. With my salary, there’s nothing to give.

A lot of us began to raise animals when CIM sold its pig farm and offered pigs for sale at accessible prices. I get up at four. I have to fetch water, hay and food. I return at five in the afternoon fetch water for the pigs again instead of going to school.

My wife is in Manhica. I’m here alone. There is a lot of clothing available in Manhica in return for cashews. But there’s nobody there to harvest the cashews. The district is almost empty. Everybody has fled to the city (interview with Fernando Murrija, March 1986).

For Murrija urban wages have never come even close to a family wage. He, like many others, has always depended on the invisible labour of his wife working the land for a substantial portion of household income. The great majority of workers interviewed at CIM had wives who ‘do nothing’, ‘don’t work’. This, in fact, meant wives working on the ‘machamba’ or farm, in rural districts adjacent to Maputo. The wives moved seasonally from farm to city, thus guaranteeing significant inputs of foods for family subsistence as well as income from cash crops like cashews and produce sold for the market. The war had already seriously disrupted the pattern. In Murrija’s district, the incentives to harvest cashews were not strong enough to counter the threat of RENAMO terrorism. The larger urban settlements in Mozambique had ‘Green Zone’ offices responsible for agricultural development in the peri-urban area. The Director of the Green Zones office in Nampula city, Pinto Luciano, pointed to exactly the same
pattern; that of urban wage workers depending on agricultural production in the north:

Nobody works in the city for their salary alone. People all over Nampula have land in the areas in the Green Zone and beyond. It's convenient to have a job and a work card just to be legal, to be employed. But virtually nobody counts on this as the income on which to live. You can't. And with the PRE, it's even more impossible (Interview with Pinto Luciano, 24 July 1988).

The combined effects of the PRE and the war result in enormous land pressure in peri-urban areas. Urban dwellers more desperate under the PRE for food, rural producers fleeing RENAMO terrorism and private farmers with capital to buy land and pay labour are all vying for land, resulting in increased litigations, ecological devastation and big pressures on small family sector producers and cooperatives to give up their land in the Green Zones around the major cities.

In vast rural areas where RENAMO is active, then ‘getting the prices right’ as a way to spark increased production is simply not relevant. Agricultural increase have been far less than projected with continued flight from the land by peasant producers. Security problems have also limited efforts to redistribute state farm lands to peasants and to mount the extensions services that could guarantee regular flows of agricultural inputs, technical support and marketing services.

In more secure areas, the impact of the new producer prices and increased availability of incentives begins to be discernible, with contradictory indications as to how effective they will be. Peasants in the relatively peaceful area of Mueda in Cabo Delgado province harvested over 3000 tonnes of maize in 1988, and by early August had almost broken their post-independence record. Full shops were interpreted as a factor in this. On the other hand, Nampula farmers complained of crop prices in relation to consumer goods. A meter of cloth in 1986 could be bought for only 10.4 kilos of rice whereas in 1988, the same meter needed 33 kilos. Of course one must go deeper, comparing not just prices then and now but actual availability of goods in the black market era and today. Nonetheless, improved terms of trade for peasant producers, a fundamental goal of the PRE, are by no means certain.

There seems to be government recognition of the problem. The National Prices and Wages Commission authorised increases in October 1988 of up to 100 per cent in prices for some of the 1988 crops. Maize prices were increased by 69 per cent, from 65 to 110 meticais per kilo, rice to 145 meticais per kilo from 75, an increase of 93 per cent. Oilseed prices were doubled while beans and peanut prices rose by 53 and 70 per cent respectively. With shoes or a pair of pants selling at 15,000, however, this still meant 135 kilos of maize bought just one pair of pants.

The peasants get mixed messages about marketing policies. Private merchants in Nampula offer slightly higher prices than the stipulated minimum, store the grain and re-sell it later at a profit. These higher prices are attractive to peasants around Nampula city who have ready, easy
access to Nampula shops. For those in the rural districts, it tends to be Agricom, the state marketing agency, that buys up produce, supplies consumer goods and has transport to get produce out of the districts. State agricultural officials frown on the higher prices offered by private merchants, seeing it as a threat to their capacity to guarantee food supplies through Agricom. To the degree that Agricom has significant control over key inputs like seeds and transport, a strange hybrid between state control and private enterprise exists at the moment.

All of this points to much deeper questions. The IMF/World Bank notion of ‘getting the prices right’ assumes a peasantry ready to increase production rapidly just through the incentives of prices and consumer goods. ‘Getting the prices right’ is basically a myth and fails to take into account at least three significant factors. The first two are the war and the drought. The third is the fact of a historically marginalised peasantry. For rural production to succeed, what is needed is not just pricing mechanisms but a much broader family agricultural policy (Wuyts, 1988).

Education: Gains after Independence Disappearing

The economic crisis in which Mozambique finds itself has been as devastating for education services as the outright attacks from RENAMO terrorists. From 1981-1986, the GNP dropped in real terms by 35 per cent, overall state expenditures by 58 per cent and educational expenditures by 48 per cent. In 1986, there was an across-the-board budget cut in the state budget of 20 per cent.

The result of the economic crisis is that the education system has been receiving relatively fewer financial resources in real economic terms. The

| Table 3 |
| NATIONAL EXPENDITURE ON EDUCATION 1980-1986 (in billion meticais) |
| (in billion meticais) |
|---|---|---|---|---|---|---|
| **In current prices** | | | | | | |
| Total state expenditure | 24.0 | 31.3 | 33.8 | 38.8 | 33.5 | 32.5 | 39.4 |
| Expenditure on education | 2.9 | 3.2 | 3.9 | 4.3 | 4.4 | 4.4 | 4.8 |
| % education | 12.1 | 10.2 | 11.5 | 11.1 | 13.1 | 13.5 | 12.2 |
| GNP | 78.9 | 81.4 | 91.6 | 92.5 | 109.4 | 147.8 | 159.0 |
| % education | 3.5 | 3.7 | 4.1 | 4.3 | 3.8 | 3.2 | 2.8 |
| **In 1980 constant prices** | | | | | | |
| GNP | 78.9 | 79.8 | 76.3 | 59.7 | 54.2 | 56.6 | 52.1 |
| Total state expenditure | 24.0 | 30.6 | 28.2 | 25.0 | 16.6 | 12.5 | 12.9 |
| Expenditure on education | 2.9 | 3.1 | 3.2 | 2.8 | 2.2 | 1.7 | 1.6 |

Source: Johnston, Kaluba, Karlsson, Nystrom 1987:12)
immediate impact of this has been to reduce the quality of primary education, and indeed, begin to limit access to it.

Although the system’s coverage grew steadily up to 1980, thereafter enrollment slowed down at almost all levels up to 1984. Since then all indicators reveal a downward trend in coverage, quality and efficiency at almost every level and in every track of the educational system. At the bottom of the pyramid, the financing of primary education has been reduced to the payment of salaries (whole real value dropped by about half from 1981 to 1986). Meanwhile, terrorist activities have led to over 2000 schools being destroyed or closed, which has affected about 500,000 pupils. At the top of the pyramid, the annual total sum of graduates from the 9th grade general secondary and basic level technical schools dwindled from 3,800 to 2,250 between 1982 and 1986 — for a population of over 14 million. This means that Mozambique still has over 90 per cent of all pupils concentrated in the primary level, and that the education structure of the population is still about 70 per cent illiterate, 22 per cent have less than four years schooling; six per cent have four years of schooling and the more highly educated few constitute the last two per cent (Johnson, Kaluba, Karlsson & Nystrom, 1987:5).

The quality and efficiency of education is, then a major problem. The shortages of trained teachers is one aspect. This is exacerbated by the fact that programmes of in-service training for teachers have ceased, with no budget to finance these special vacation courses. The falling real value of teachers’ salaries results in efforts by many teachers to leave education for jobs in the private sector.

Countless teachers supplement their meagre incomes by teaching night school, resulting in chronic fatigue and less than enough preparation and patience for the stress and strain of the classroom. The struggle for survival amidst shortages and, until recently, a rampant black market, forces teachers, as everyone else, to invent schemes to supplement household income, including those that stretch the definitions of what is legal and ethical.

State expenditure on school materials and equipment has virtually come to a halt, resulting in bare classrooms with the exception of a few pieces of chalk for faded blackboards. In the same period, however, bus fares in Maputo rose 100 per cent, electricity charges rose 20 per cent, the control prices were lifted on fish and there was a further devaluation. Office supplies, sports equipment, and first aid supplies — never in abundance — are now all totally beyond the school budget. Equipment for laboratories or art and design classes are unknown. The crisis in school buildings has become more and more acute, with no budget for maintenance and repair of existing buildings and virtually no new school buildings going up, with the exception of schools constructed through self-help projects.

At a seminar with Nampula city school directors in July 1988, there were lengthy discussions about how to deal with school buildings literally falling down after years with no budget even for cement, nails, glass and paint for minor repairs. The director of the primary school in the most well-to-do section of the city spoke of being pressured at a parents’ meeting by anxious parents concerned about the decrepit classrooms in which their
children's education was taking place. They pressed her to indicate what budget she had for school maintenance and repairs. When she indicated $100 one parent hooted derisively: 'why that's what I pay one of my workers for a monthly salary — a badly paid worker!'

The deterioration of school buildings, then, is very evident in the city schools and even more so in the rural areas. There the tradition is for the community to construct their own schools from local materials. Once metal sheeting for roofs ceased to be available, these clay structures had little capacity to withstand the rainy season. Mobilising the community to build from local materials is much harder when everybody knows that the life expectancy of a building without an adequate roof is less than one year.

Another aspect of the deteriorating economic situation is the difficulty of producing or obtaining school textbooks. In 1975 Mozambique discarded the old colonial textbooks and gradually begun to build up a capacity to write, edit, print and distribute its own textbooks. With the education reform introduced in phases starting in 1983, new textbooks were introduced starting with grade one texts for the general system and classes, and two texts for the adult education system. Massive amounts of foreign aid have gone into developing this capacity to produce textbooks, from paper and printing presses to technical assistance, including cooperants. Sweden, Norway, the German Democratic Republic and Canada have all given support. The books have been offered to the pupils over the years at highly subsidized prices. With the economic crisis, the capacity of the Ministry to continue these subsidies came into question. By 1983, the only item of any size remaining in the education budget beyond teachers' salaries was in the subsidies for textbooks.

**Table 4**

<table>
<thead>
<tr>
<th>Level</th>
<th>Teaching Staff</th>
<th>Non-teaching Staff</th>
<th>Material and Services</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>39.3</td>
<td>0.2</td>
<td>0.2</td>
<td>39.7</td>
</tr>
<tr>
<td>Secondary</td>
<td>11.3</td>
<td>1.0</td>
<td>1.9</td>
<td>14.2</td>
</tr>
<tr>
<td>Adult Ed.</td>
<td>1.7</td>
<td>0.2</td>
<td>0.2</td>
<td>2.1</td>
</tr>
<tr>
<td>Technical Ed.</td>
<td>4.4</td>
<td>1.3</td>
<td>1.4</td>
<td>7.1</td>
</tr>
<tr>
<td>Teacher Ed.</td>
<td>1.4</td>
<td>0.4</td>
<td>1.6</td>
<td>3.4</td>
</tr>
<tr>
<td>Higher Ed.</td>
<td>2.6*</td>
<td>2.0*</td>
<td>3.2</td>
<td>7.7</td>
</tr>
<tr>
<td>Central Admin.</td>
<td>—</td>
<td>3.9</td>
<td>8.3</td>
<td>12.2</td>
</tr>
<tr>
<td>Provincial Admin.</td>
<td>—</td>
<td>5.2</td>
<td>4.5</td>
<td>9.7</td>
</tr>
<tr>
<td>Boarding Schools</td>
<td>—</td>
<td>1.7</td>
<td>2.2</td>
<td>3.9</td>
</tr>
<tr>
<td>TOTAL</td>
<td>60.6</td>
<td>15.9</td>
<td>23.5</td>
<td>100.0</td>
</tr>
</tbody>
</table>

* 3,890 million meticais

**Source:** Duvieusart: 1986

Part of the PRE package included privatization of school material production and the inclusion of costs and profits in the sale price of the materials. A grade one or two pupil now pays about the equivalent of $4 a year for the supply of textbooks for Portuguese and mathematics plus...
pencils, erasers, scribblers and a pencil sharpener. Pupils in the higher grades pay from $5-7 per year. A typical town couple, however, might have 4-6 children in the school system, including their own children, younger siblings and nieces and nephews from the rural areas. In the extended family system, responsibility for education falls normally to the older family members already educated and living in larger centres. Given a minimum wage level of $24 per month, this outlay of $20-30 on schooling is significant. With the additional needs for shoes, clothing and school bags, not to mention the regular requests from beleaguered school staff for parent contributions for everything from school repairs to a football or special outing, education has become an increasingly inaccessible service for parents of large sections of the population.

By 1988, distribution of school materials was in the hands of a new enterprise created for this purpose, DINAME. DINAME established regional warehouses for school supplies in Maputo, Beira and Nacala and set up a mechanism for furnishing school materials to private traders at provincial level, one trader being designated as official wholesaler for each province. The provincial wholesalers are meant, in turn, to supply merchants at district level with the school books. While the prices are still subsidized in relation to actual costs, they are, in fact, much higher than they have been in the past. This, coupled with the fact that many grades have more textbooks under the new curriculum, means that they represented a formidable expenditure for the parents of school-age children.

As yet another index of the level of the crisis in education, in July 1988, mid-way through the school year, not one of the 21 district traders in Nampula province had ordered books from the provincial wholesaler. Between the severely curtailed buying power of rural families and the restrictions on profit margins on school materials making them less attractive to stock than other commodities, the books were simply not getting distributed through the new system. No district trader loading stock onto a truck travelling in armed convoy to remote district was interested in using up precious space for an item with little consumer demand and limits on profit margins. By mid-1988, the government had indicated that it was prepared to support poor families to acquire text books and school supplies for their children. By 1989, SIDA was studying ways to establish mechanisms to subsidize the book distribution and the World Bank was planning to include free textbook distribution into its education project in Maputo city.

As far as most adults were concerned, studying was out of the question. Some still did manage to make their way to the night programmes in cities and towns or in workplace adult education programmes. Many worked toward a fourth grade certificate more for job security than for higher pay or a better job. At least in the larger centres, many adults analysing the situation concluded that education had ceased to be a channel to take their lives forward. Survival schemes to withstand the PRE did not include
more educational qualifications, since for an adult beginning at the bottom of the educational ladder, the path to reach eighth or ninth grade level, the point where academic qualifications might influence salary, was just too long to contemplate.

*when you think a lot about your life, you can't bring yourself to study. What do we have to eat in the house when I get home from work. Here I can go to the mess and eat well. There at home we have nothing. Here in the factory, I have a uniform, I have something to put on, but there at home, there is no clothing for the children* (interview with Matilda Maboie, February 1986).

**The Impact of PRE on the Health Sector**

The impact of the economic crisis and the PRE on the health sector is not dissimilar to what is happening in education, although perhaps the more poignant because the gains in health had been so marked. The health services, like other parts of the state apparatus, have found their operating budgets cut in real terms with the massive devaluation. Per capita health expenditures in US dollars grew from $1.5 at independence in 1975 to $4.7 in 1982. In 1987, this had decreased to $1.4 and by 1988, the per capita expenditure on health had dwindled to $0.9. Well-informed sources in the health sector were sceptical of even these figures, suggesting that the per capita expenditure on health for the great majority could well be as low as $.10.

These cuts have been particularly painful in that both health and education are under direct siege from RENAMO. The Central Committee Report to the Fifth Congress indicated that 193 health units have been destroyed and another 654 looted between 1983 and 1988. Funding to reconstruct and re-equip these centres is simply not there.

Health workers have been a major target for RENAMO bandits. The report indicates that 40 health workers have been murdered, another 41 kidnapped and 669 have had their homes attacked and looted. In 1984, 48 of the country's 120 districts had a resident doctor. By 1987, permanent doctors remained in only 22 of the districts.

In Nampula city, the majority of the hospitals, health centres and health posts are in dire need of major repairs. Many, like the schools, are in old mission facilities in which there has been little investment since independence more than a decade ago. The Marrere district hospital, on the outskirts of Nampula, has a broken down water supply system, crumbling walls, broken windows and peeling paint. There are acute shortages of drugs, equipment is virtually non-existent, and mattresses and bedding are in short supply. There are days when there is no food for the patients. Needless to say, health workers struggling to survive with the same drops in real income as other sectors, are vulnerable to demoralization as they watch sick people turn to them for help and find themselves with virtually nothing to offer.
Under the PRE, there have been important changes in health policies. As of April 1987, the charges for medical services were increased from 7.50 meticais for an examination and medications to 100 meticais just for an examination and charges for prescriptions. Even taking into account devaluations and wage increases, this represents a very significant change of policy. For example, in 1988, an examination and medication for ten days for amoebic dysentery costs 460 meticais. Treatment for gonorrhea costs 1,104 meticais while treatment for vaginal infections comes to 1,648 meticais, more than an tenth of the monthly minimum wage (Krug, 1988:6). While the official policy includes provision for a means test and stipulates clearly that no one is to be refused medications for inability to pay, in practice, local health workers often find it hard to distinguish and simply refuse anyone who cannot pay on the spot. Word spreads quickly. People cease to go to the hospital, women in particular concluding that it is not worth the extra effort. There are estimates of reduction as high as 50-80% in the attendance figures at local clinics and hospitals between 1987 and 1988 (Hermele 1988:20; Krug, 1988:3). So another spiral of poor nutrition and lack of health care with particularly negative effects on women and children is engendered, although hard to measure because it does not show up readily in statistics.

As the human dimensions of structural adjustments begin to make themselves apparent, there is much cause for inquietude. Prime Minister Mario Machungo announced on 13 November 1988 that the government was preparing measures to protect vulnerable groups in society from the effects of the PRE and indicated that donors had expressed their willingness to support such programmes at the recent World Bank Consultative Group meeting in Paris. Subsidized medicine prices for the chronically ill and for low income workers unable to pay for medicines at current prices was one such measure. By mid-1989, these measures had been put into effect with a social fund for medicines and supplementary feeding as a cushion for the chronically ill, the elderly the physically handicapped, the unemployed and domestic servants. Workplaces in some cases had undertaken to pay hospital fees and prescription costs for their workers.

The report of the Central Committee to the Fifth Congress indicated that the hospital fees and increased prices for medicines still only represented three per cent of the health services' current costs, excluding drugs, and suggested that the whole idea of recovering costs from users of the health services needed rethinking. The report was very candid about the grave problems in the health services that feed into popular discontent. These include the re-appearance of private medicine in urban areas with doctors and nurses using the time, installation, equipment and drugs that belong to the national health services to set up their own private practices.

The report addresses the growing pressures for privatization of health care and states emphatically that privatization 'will not resolve the problems of most health workers, nor will it raise the general quality of
care ... Our state and our people are prejudiced as a result of the robbery and abuse of medicines and equipment, and the illicit use of installations. Privatization ‘would make the efforts and sacrifices of many cadres and doctors useless.’

Erosion of Mozambican Control

One of the most troubling dimensions of the economic recovery programme is Mozambique’s dramatic dependency on foreign donors. Control has shifted out of Mozambican hands in an alarming fashion. Economic policy has come to rest very much with the IMF/World Bank, with bilateral donors lining up behind it. UNICEF is more and more playing a preponderant role in social policy. The emergency situation has resulted in a large amount of control passing into the hands of a multiplicity of NGOs and bilateral donors.

Government leaders have presented the PRE to the public as a necessary remedy to regain economic health and urged sacrifices and belt-tightening at all levels. They have underscored that economic reforms were on the books well before Mozambique became a member of the IMF and that the actual economic programme adopted was one of Mozambique’s making, endorsed by the IMF/World Bank. In private conversations with foreign delegations, senior government leaders are prepared to admit quite candidly that the membership became a necessity, with all western nations ganging up behind the IMF and refusing to allow any flow of credit until Mozambique accepted a structural adjustment exercise within the classic IMF framework. They have not spoken of any of these pressures to their own citizens, however, nor have they encouraged any public debate along these lines. Perhaps this becomes the more understandable when one finds senior IMF and World Bank officials speaking at public gatherings such as the Canadian Association of African Studies Conference in Ottawa in May 1989 about the importance of national ‘ownership’ of IMF programmes. The World Bank official speaking at the conference put much stress on the need for national leaders to adopt IMF programmes as their own. He argued that citizens would not be prepared to accept the hardships required in the structural adjustment programmes if their own leaders presented the programmes as something forced upon them.

Mozambican leaders when questioned about the lack of critical debate on IMF policies reply that senior state officials who negotiate with the IMF one day cannot take a critical distance from the policies the next. This may well be true, but need not preclude the possibility of promoting public debate in other forums, be it through academic studies, critical journalism or voices from party and mass organisations like workers’ and women’s organisations.

All of this presents very disturbing and challenging questions as we see the impact of structural adjustment policies on the social fabric of a country already at the breaking point after more than 20 years of war.
Certainly the debate on the IMF which was encouraged to surface in the period leading up to the Fifth Congress pointed to grave problems with the structural adjustments programme. Profound questions emerged in two areas. First, at the level of social policy, how much more human suffering can be endured without engendering even more serious social breakdown which could well turn into wide-scale social unrest? Second, given the particular circumstances in Mozambique, especially the unusual dynamics that the war itself creates, does the IMF package in its classic form have any hope of really setting in motion long-term economic recovery anyway?

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Bibliographic Note


Taxing Development in Tanzania: Why Must Women Pay?

Janet Bujra

The extension of a development tax to women in Tanzania raises the general issue of the relevance of gender to patterns of economic development in a country with a 'socialist' reputation. This article looks at the link between gender and development in Tanzania, but equally importantly it focuses on the way in which the question of gender has been contested and debated within Tanzania.

While the debate on gender has highlighted the way in which 'socialist' policies have intensified women's workloads without removing patriarchal social relations, the development tax both recognises the contribution of women but also exposes their continued dependence on men, since their production does not always result in cash income. Structural adjustment programmes have, however, begun to force women into the marketing of subsistence food in order to make ends meet, as the inflationary effects of adjustment bite. Rather than being 'integrated into development', SAPs and the Development Levy bind women more closely into capitalist and petty commodity relations of production.

My aim in this article is twofold: I want to consider both the substantive issue of how gender is relevant to development policies and practice in Tanzania since Independence, but also to weave into this an account of why and how the question of women has been debated within Tanzania. Separating out these two aspects — the history of women and the intellectual history of the study of women — presents almost insuperable difficulties, for the terms of the debate have generated a language of concepts and explanations which structures our understanding of real events and circumstances. There is no neutrally descriptive account which does not echo the varied positions within this controversial area.

"Women Must Pay the Tax" (Prime Minister). It continued: The government has decided that women must continue to pay the Development Levy (kodi ya...
mae ndele) in accordance with our country's principle of respecting the equality of all ... [The Prime Minister] said that because the Party and the Government were insistent upon the equality of women with men in all matters such as education and employment, and in particular because they recognised that women lead in the production of wealth in the countryside, then they must continue to pay this tax ... However [in response to questions raised by members of parliament] he admitted that there had been harassment in the collection of this tax during the previous year, and he assured members that there would be no more such hounding of taxpayers. [He] added that ... in the period 1985-86 the greater proportion of Development Tax had been paid by women ... it was the duty of all citizens, women as well as men, to pay their tax (Uhuru, 1 July 1986: my translation from Swahili).

In 1986 a parliamentary debate was reported in the first issue of a Tanzanian woman's magazine, Sautiya Siti. Trying to make sense of the fact that male members of parliament had apparently been speaking up for women's interests in demanding that the tax should not be extended to women, they commented cynically: 'Why do men want women to be excused from paying the tax? Some say that this tax is viewed as a burden by men who have many wives ... some women members of parliament spoke of men wanting to perpetuate customs and traditions which rendered men superior'.

I want to suggest that the issue of taxation exposes certain social realities — obviously first and foremost the power of the state over the people, but also power relations in society generally, as attempts to resist taxation or to reduce its burdens or shift them to other sections of the population show up major social divisions in action. We are generally talking about class relations here, but race or gender or other social categories may also be implicated in this process. If I could illustrate this point briefly in connection with race/class relations in colonial Tanganyika: in the 1950s resident Europeans had to pay a special Non-Native Education Tax, and in 1956 the government doubled this tax. The response of the European editor of one of Tanganyika's English language papers of the time is telling. Complaining about the undue burden placed on Europeans, he urged the government,

to go gunning for the bilkers and the dodgers. There must be at least two million African males of taxable age in the territory, yet poll tax in the current year, at roughly £1 a head, was expected to bring in only £560,000. An all-out campaign in this quarter would at no great expense provide the cash to meet the country's entire medical or public works bill for a year (Sunday News, December 1956).

Political struggle over taxation thus exposes social divisions as well as inequalities of power — in this case not only inequalities of race and class but also the ambiguous position of European settlers vis-a-vis the colonial state in a territory which was mandated to Britain after the World War One, to be governed (in theory) in the interests of its African population.

This particular example also uncovers the historical basis of the present day Development Levy in the colonial poll tax, first instituted by the Germans under their directly colonial administration of Tanganyika dating from the 1880s (Coulson, 1982). It has become a commonplace to argue
that the colonial imposition of taxes on Africans was one of the major devices impelling them into wage labour on plantations and settler farms. As Shivji puts it, ' "hut and poll tax" was primarily a system aimed at extracting labour'. But there is a notable blind spot in Shivji's analysis here. He quotes the relevant act: 'Every able-bodied male native of the apparent years of sixteen or over ... shall pay annually a poll tax of such amount as the Governor ... may prescribe.' He then goes on to underline his thesis that tax generated forced labour by noting that only Africans had to pay the poll tax, and only the able-bodied amongst them, and excluding those already in the employ of the colonial state. What he does not even comment upon is the major exclusion of women from this legislation.

Now of course, taxation had a rather wider coercive impact than Shivji implies when he links it primarily to wage labour. Taxation forced African subsistence farmers to produce a cash income, by whatever means, and whilst this entailed wage labour in some areas, the alternative was to produce more for the market — taxation, in other words, must also have stimulated petty commodity production in agriculture. Since women play a major role in agricultural production in Tanzania, this extended the coercive pressure to women as well as men, as members of peasant families. Nevertheless, we can still make the point that, until recently, gender has been a major factor in determining the incidence of taxation in Tanzania. I want now to look more closely at the rationale for gender equity in taxation which is now offered by the government, and secondly at how the collection of the Development Levy is experienced by women.

Since the Arusha Declaration of 1966 Tanzania has presented itself as a 'socialist' country. Twenty years later, the banner of socialism disguises some quite radical departures from the original plans. Nevertheless I want to insist that in Tanzania a formal commitment to the equality of the sexes, referred to by the Prime Minister in his rationale for extending the Development Levy to women, was not an isolated or merely 'liberal' gesture, but formed a part of the wider socialist inspiration of its shift to the Left in the mid-1960s. This is evident in the earliest pronouncements on socialism from Tanzania's first President, Julius Nyerere:

> in traditional society ill-treatment and enforced subservience could be the lot of women. This is ... inconsistent with our socialist conception of the equality of all human beings ... If we want our country to make full and quick progress now, it is essential that our women live in terms of full equality with their fellow-citizens who are men.

It is undeniable that this formal commitment has created the political opportunity for women to assert themselves in Tanzania in a variety of ways. Having said that, it is of course necessary to concede the gulf that exists in most societies between ideology and action, and between the philosophies of inspirational leaders and the views of the average man in the street or in the countryside. Male chauvinist attitudes and patriarchal assumptions are a continual constraint on women's behaviour at all levels of Tanzanian society (see for example, Swantz, 1985; Bujra, 1987; Koda et
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This becomes a serious matter when it is the implementors of government policy who express such sentiments. Mbilinyi quotes many examples from male leaders at village level, but also one ‘top bureaucrat’ who, in response to a report on women which recommended that they be recompensed for their labour on family farms retorted: ‘Whatever happens, we don’t want revolution. If women have their own money why will they marry?’

An example of such attitudes can also be quoted from the debate over taxation, although this comes from the ‘men as protectors of the weaker sex’ school of thought. A letter written to the English language Daily News, by a person signing himself as ‘Concerned Gentleman’, speaks indignantly of

the unseemly practice of levying women ... Women are different from men in many ways, including the physiological as well as psychological make-up. To cap the differences, they perform the natural noble duty of bringing forth all the young and nurse them. That alone would be reason enough to awaken in men the kind of respect the female member of society should be accorded ... women themselves are misled to believe that they deserve equal shares in masculine activities, although I have not once seen any of them getting involved in butchering a cow. They leave that to men. We have so many reasons why women must never be made to pay levy ...

Mr ‘Concerned Gentleman’ concludes, however, with some perfectly valid instances of women’s secondary position in Tanzanian society which, in his view, make women’s taxation improper:

The majority of them live in rural areas where they hardly earn money. Then there are those who are unemployed; housewives of the workers who pay. The few that are remaining are employees, but these are few and most get miserably meagre pay.

I suspect that many (probably most) women would go along with Mr Concerned Gentleman in his assertion that ‘only men should pay levy’, rather than with government and party pronouncements to the effect that paying the tax is an index of their equality with men. Certainly the women whom I came to know whilst carrying out recent research in Tanga, one of Tanzania’s largest towns, felt both aggrieved and intimidated. After seeing a woman run from police apparently engaged in the search for defaulters, women told me that they had to carry their tax receipts at all times, for without them they were liable to be arrested and held by the police until redeemed by relatives (in a cartoon which appeared in Uhuru, 3 July 1986, a woman is shown going to the market, worrying about the tax and the possibility of being arrested; ‘if we cannot walk around happily in our own country, where can we walk around’? she demands). In addition there was the question of the ability to pay. The amount may not seem particularly large (Sh.220 per annum in 1986) but should be set against the minimum wage of the time of Sh.810 per month, and more importantly the fact that women form only a small minority amongst wage earners, even in town (around 15% overall: Mascarenhas & Mbilinyi). The vast majority of Tanzanian women are poor peasants and do not have
a regular cash income. Although some men paid tax for their wives and daughters, other women found they had to earn the cash themselves.

The Prime Minister had justified the payment of the Development Levy by women not only on the formal grounds of gender equity, but also because 'women lead in the production of wealth in the countryside'. Logically then, if proceeds from the Development levy are to be maximised, women must pay. And indeed women were said to have contributed the greater proportion of the tax in the previous year, thus appearing to confirm the government's recognition of a gender difference in agricultural production levels. Leaving aside the possibility that women were more vulnerable to harassment and thus less able to evade taxation than men, this raises the question of why it is that rural women produce more than men.

Before an answer to this question can be attempted it is worth shifting the focus from gender relations themselves to the way in which such relations have been conceptualised and debated in Tanzania — for it is around precisely this question of women as rural producers that debate has centred, even whilst it has also encompassed many other aspects of women's position in Tanzania today.

'Women's Studies' in Tanzania

In spite of Tanzania's formal political commitment to the equality of the sexes as an integral part of socialism, the legitimacy of investigation into gender inequity has been hard won. Whilst I shall show that intellectual life does not blossom only in universities, I want to concentrate mainly here on the controversy around gender which erupted at the University of Dar es Salaam in the 1970s (my sources for this account are partly observational — I was teaching at the University of Dar es Salaam in the early to mid-1970s — and partly based on a review of the literature. Such historical accounts as exist are however themselves products of the debate, and must be recognised as partisan).

Establishing the need for special investigation of women's position came up against considerable opposition. The overt antipathy was mainly of two kinds. On the one hand women's studies was dismissed as a 'foreign import'. To cite one comment from a seminar participant:

Why are people having to follow these foreign ideas? Our mothers in the villages are perfectly happy. The problem is that our educated women get these ideas from books or travel.

This kind of response came primarily from local scholars, men for whom the emergence of feminist thinking seemed to engender considerable unease. Nkhoma-Wamunza writes of male academics' 'opposition in the form of ridicule or indifference'.

On the other hand, as the dominant paradigm of intellectual debate in the University of Dar es Salaam was at that time marxism, many 'left progressive intellectuals' (again mostly male) argued that women's
oppression was of less pressing concern than the primary struggle over imperialist and capitalist exploitation, or that feminist and marxist theoretical paradigms were antithetical. Since the accusation of 'foreign import' was also sometimes levelled at marxism (see Shivji, 1976), the contradictory tensions in the opposition to the study of women are evident.

Feminist ideas and politics at the University of Dar es Salaam were of course responsive to western feminist and marxist work produced in the global intellectual ferment of the 1960s, but they were equally a product of local circumstances and material realities. There were struggles at the University from the late 1960s onwards over the recruitment and promotion of women academics; the sexual harassment of female students and staff which is said to be a serious problem at the University and for working women in general; *Bulletin of Tanzanian Affairs* no.28 and no.29, 1988; limitations on research funding and the opportunity to establish courses pertaining to the study of women (Mbilinyi, 1985b:73-5), to say nothing of the day by day efforts of women academics and students to assert their right to work and study against the demands of husbands and families.

Women academics were in a tiny minority amongst academic staff, whilst the proportion of female students even in the 1980s hardly rose above 25 per cent ('1987 Basic Education Statistics in Tanzania 1982-86', Ministry of Education, Dar es Salaam) It was also responsive to the wider gender politics of Tanzania — to struggles over the laws of marriage, prohibitions on certain forms of female dress, the treatment of women workers and the activities of the national women's organisation, the UWT (*Umoja wa Wanawake wa Tanzania*).

Early attempts to assert women's rights to equality in recruitment and promotions were often rebuffed or stifled by the Academic Staff Association, and by the local branch of Tanzania's single political party, including 'the leadership of the women's wing'. In tandem with these continuing struggles over the politics of work there grew the demand for a more theoretical understanding of 'the woman question', and from the early 1970s papers and articles were being produced and debated locally which explored the theoretical terrain between marxism and feminism, as well as assessing various forms of feminism.

In 1979 a workshop on Women's Studies and Development was organised by women activists which drew in 60 participants, mostly Tanzanians, both from the University and outside, and which raised both theoretical and practical questions about women and development in Tanzania. From 1978 a small reading group, which drew in women from outside the University as well as within, began to meet informally to study feminist works, and this group eventually succeeded in achieving more formal status within the context of the Institute of Development Studies (IDS) at the University. Here it began to initiate debate on, and to encourage research into, theoretical issues pertaining to women in Tanzania such as the sexual division of labour amongst peasant women in Africa and the
question of women and socialism. Focusing on theoretical issues of apparent 'academic respectability' did not negate the political impact of feminist thinking, for the group soon found itself involved in new struggles over the disbursement of funds and decisions taken in regard to research priorities within the IDS. In 1982 it broke away and established the Women's Research and Documentation Project (WRDP) as a collective, still located within the University but with support from the International Council of Adult Education Women's Programme. The IDS later set up another study group on women, with some overlap of members with the WRDP and continuing friendly relations.

What is impressive is that groups initially based at the University have not only initiated research and debated theories, they have also striven to raise the question of women's rights more generally in Tanzania. One example of this was a brave attempt by the WRDP to generate public discussion on the problem of wife beating and school-girl pregnancies through a radio series in both English and Swahili. They also publish a Swahili broadsheet (Mwenzangu) for national circulation which asks critical questions about women's lives in town and country. Other groups outside the University have also begun to disseminate material especially for women and from a broadly feminist perspective; the Institute of Adult Education, which has produced pamphlets on women's rights, and a group sparked into existence by the radio series and the Tanzania Media Women’s Association which now publishes the journal Sautiya Siti.

By 1983 a path-breaking Bibliography of Women in Tanzania had been published by two local scholars, Ophelia Mascarenhas and Marjorie Mbilinyi. On the one hand this work established that there were now many women and a few men producing work on the issue of gender relations in Tanzania, and a fair selection of historical sources. On the other hand it also stimulated further work, and set the parameters of research into the question of women.

The theoretical climate in the University of Dar es Salaam in the 1970s meant that the debate on gender was also in dialogue with world-wide intellectual currents, primarily feminism and marxism. There are of course many competing strands within these two perspectives, and with regard to feminism internal differences between those who prioritise gender over all other forms of social contradiction (radical feminists) and those (socialist and marxist) feminists who see class exploitation and gender oppression going hand in hand. This controversy found some echoes in local debate, but with Mascarenhas and Mbilinyi coming down firmly on the side of socialist feminism: 'The problem posed', they insist, 'is not that of women or men per se, but rather the social relations of production and reproduction which combine to oppress and exploit particular classes of women'. The WRDP announced itself to be working 'within the political framework of radical political economy' and to be particularly concerned with 'the problems of women and socialist transformation'. This socialist feminist position provided the initial framework for most work on gender
in Tanzania whether by Tanzanians or by women foreign scholars (for example, Vuorela, Swantz, von Freyhold).

Whilst there was initially broad agreement on the question of theoretical perspective between local and foreign scholars, it has always been the case that the latter have had more access to research funds and outlets for publishing their work than have local women, and the need to stimulate and disseminate work by Tanzanians themselves was a prime consideration in setting up the WRDP. Nkhoma-Wamunza points out the value of work ‘done by Tanzanian women with practical experience and background to the Tanzanian traditions and customs who are also politically and ideologically aware’, but there is also more than a little resentment in her view that

women from developing countries continue to be sources of raw data while their counterparts in European and American institutions together with international organisations see themselves as synchronisers of theories and prescribers of policies.

Ironically then, whilst establishing the importance of studying women, women at the University were themselves divided by competition over resources.

The internal divisions amongst women in Tanzania were exacerbated by a new phenomenon in the 1970s, when aid agencies like the World Bank, FAO, ILO, USAID, and various western governments began to sponsor research and practical programmes focusing on women in the third world. Within Tanzania, such programmes provided jobs not only for ‘foreign experts’ (including women) but also — as Ruth Meena suggests (1984) — the opportunity for a few local women to enhance their position relative to others.

Of course the outcome of the initial debate between marxism and feminism at the University was a view of women which conceded that they would be divided. Recognising that: ‘The question of women is a class question’ (Mascarenhas and Mbilinyi) meant facing up to the fact, for example, that women scholars were themselves members of a particular class, whose work ‘reflected their own personal and professional struggles as members of the petty bourgeoisie’. It also meant exposing the national Women’s Organisation as a body serving petty bourgeois class interests more than it served the mass of women (Meena,1984:9;Bujra,1986:137).

By the 1980s then, at least two divergent ‘lines’ seem to have emerged amongst Tanzanian women working in the field of women’s studies. On the one hand there is the grouping around the WRDP which ‘situates women’s oppression in the context of class and national exploitation and oppression’. On the other hand there are women, mostly working in government, but some at the University, who take a different position; one which focuses, as Meena puts it, on the ‘issue of sexual inequality per se’, or as Mbilinyi expresses it: ‘Instead of demanding social transformation, it calls for assimilation of women into society as it is today’.
Perhaps this suggests a clarity of positions which is absent from the real world where ‘feminism’ has meant many things to many women, and at a class level where there is an inherent tension between feminist principles and class interests. For the relatively privileged minority of educated working women which is emerging in Tanzania (mostly in the employ of the state), a form of feminism which merely demands gender equality can become a vehicle for narrow self-interest and class interest. A reconciliation between those interests and the broader commitments implicit both in feminism and in the prevailing state ideology of socialism is not always achieved. The conflicting pressures are occasionally exposed, as in an article about ‘housegirls’ in Sauti wa Siti, where the author, Leila Sheikh-Hashim, who defines her position as a feminist one, writes:

the busy career woman ... while engaged in advancing up the career ladder is at the mercy of her housegirl. [She has to] pamper her ... buy her bribe gifts, and generally treat her with caution because if the girl left at short notice the whole routine breaks down ... the sympathetic ones amongst us give the girls a good salary, a clean bed, a day off every week, and quite often they eat at the table with us. However there are other employers who look down on housegirls as slaves.

To summarise this section: the intellectual history of the study of women in Tanzania is only partially a debate about ideas. It is also evidently a struggle between social groups for intellectual predominance and credibility, in a situation where limited resources are at stake. The major line of division here is probably that between the sexes, but other cross-cutting conflicts of interest are also exposed — that between foreign and local scholars, between local women over limited resources, between women in different class positions, and between local and international agencies. These differences are occasionally argued out in precisely these terms — more often they find oblique expression in contrasting analyses of the situation of less exalted Tanzanian women, or of policy and practice which affects them.

I now want to illustrate and consider three claims which have come out of this debate, and which will, eventually, lead back to the question of taxing women. The first and most general assertion is that analysis of transformations in the political economy of Tanzania requires an explicit recognition of gender. The second is that development policies and practice which ignore the gender dimension cannot succeed. The third is that merely acknowledging gender is not enough to ensure a general improvement in women’s position — the more vital issue concerns how this is done. Let me now consider these claims in turn.

The Need for a Gender Dimension in Social Analysis

Much social analysis carried on in Tanzania renders women invisible, or at best presents them as a ‘social problem’. In this, Tanzanian scholarship is not exceptional. To establish that the question of gender was a legitimate and vital one to raise in the context of social analysis, however, it has to be shown that gender is a significant social category, that generalisations
derived from the study of men do not — or do not always — extend to women. In Tanzania this case has been most effectively made with regard to study of the peasantry. This can be illustrated by Kathleen Staudt’s critical review of Gorenp Hyden’s book, Beyond Ujamaa in Tanzania: Underdevelopment and an Uncaptured Peasantry (1980). Staudt observes that Hyden’s analysis rests on the assumption of ‘an undifferentiated peasant reality which is [in fact] limited to the male reality.’ By contrast she insists that peasants are gendered, and that this is a significant social fact: ‘The work women do, their rewards for that labour, the crops they specialise in and the time they devote to work and leisure are all markedly different’.

Not only this, but Staudt argues forcefully that Hyden’s theoretical conclusions might have been very different if he had taken this fact on board. She considers Hyden’s central thesis that the peasantry are resistant to attempts by the state or by capitalists to ‘capture’ them for new forms of economic development, their resistance being founded on viable alternative forms of existence, based on independent subsistence production. Staudt suggests that Hyden has got it wrong: male peasants have already been ‘captured’, through the extension of wage employment; it is women who are ‘the quintessential peasantry’ in Hyden’s terms, not peasants in general. After all, she says, it is largely women who produce subsistence crops for everyday survival, and who therefore sustain alternatives to capitalist development.

Hyden finds confirmation for his thesis of peasant resistance in the often noted failure of peasants to respond to price incentives for the produce which they take to market — i.e. when prices rise they do not necessarily produce more. Staudt however asserts that if we investigate the gender relations of production within peasant families we might come up with a different explanation for this phenomenon. For women, she says, there may be little or no ‘price incentive’ for greater production, because whilst they do the greatest share of the agricultural work they do not share equally in the rewards.

As we shall see, much of what Staudt asserts rather baldly here is confirmed by other researchers. The doubts she raises about Hyden’s perspective — or any other analysis which treats the ‘peasantry’ as ungendered — are, in my view, potent enough to confirm the feminist demand that gender be incorporated into sociological investigation in Tanzania if only because the vast majority of women in Tanzania are peasants.

Gender and Social Policy
Arguing for more convincing theoretical perspectives is one thing, but feminists in Tanzania also insist that ‘better’ theories (which take women into account) are vital to the successful implementation of development policies. I want to examine this claim, first by briefly considering the most far reaching attempt at development transformation in Tanzania, namely
the programme for rural 'socialist' transformation, and secondly by looking at a more recent issue for development planners, namely conservation of the environment.

Ujamaa/Villagisation
In the first flush of socialist zeal after the Arusha Declaration, the ruling Party and government attempted to initiate new social relations of production in rural areas. Central to this plan was the idea of peasants voluntarily cooperating to produce and market their crops collectively. Hence the villages to be established through this voluntary movement were called ujamaa or socialist villages.

Now the original philosophy of socialist transformation in rural Tanzania did pose the question of women's oppression as something to be abolished. Nyerere himself exposed the fact that women performed 'more than their fair share of the work in the fields and in the homes. By virtue of their sex they suffered from inequalities which had nothing to do with their contribution to the family welfare'. Any policy based on a fairer distribution of labour and of the means to and rewards from labour, should therefore have benefited poor peasant women above any other section of the population. Actual practice in implementing policy however, ignored this prescription. Numerous studies have suggested that (in the words of Mascarenhas and Mbilinyi): 'villagisation not only has not contributed to the liberation of women, but indeed has heightened their oppression'. How can this be?

One reason was that in a general sense, the implementation of policy never matched the philosophy. There was no overall transformation of the relations of production in agriculture whereby collective or communal forms of production and sharing of the proceeds displaced the household as the unit of production. The second persisted beside the first. Even in the first phase the extent of communal production varied widely from area to area, and as time went on the promotion of new relations of production became secondary to the goal of merely centralising the scattered rural population into villages and increasing the production levels of marketed crops. Whereas the former aim (centralisation) was more or less forcibly achieved (so that from the early 1970s it is more accurate to speak of a 'villagisation' policy rather than 'ujamaa'), the second goal (increasing production levels) foundered on rural resentment, inadequate marketing arrangements and low price levels for agricultural produce. This was in spite of attempts to force peasants in some areas to produce quotas of crops for the market (for example, maize in Dodoma, Coulson, 1982:257). It is also said to have foundered more particularly on the resistance of women to having to take on even heavier burdens of work than they had carried previously. As Mbilinyi puts this argument: 'the [Tanzanian] ruling class used the state apparatuses to extract surplus in an absolute sense, by intensifying the labour of all producers, but especially women ...'
From this perspective then, the oppressive consequences of the ujamaa/villagisation campaign were general in their effect, but amongst peasant producers it is said to be women who suffered most. Two aspects of this thesis can be highlighted. One is the way in which ujamaa/villagisation policies intensified women’s work load without giving them much greater control over the means to production or the rewards from production. The other has to do with the failure of the programme to ‘openly confront oppressive sexual relations in peasant families and communities’.

Many studies have supported Nyerere’s claim that women’s input to agricultural production is greater than men’s. Data which quantify the contrast in hours spent on agricultural labour by men and women in rural Tanzania go back to the 1960s; at least, though not for the same region, they all show disparity between men and women in terms of hours, women providing often half as much again as men, and to which must be added the domestic labour that women also carry (see for example, Henn in Mbilinyi and material summarised in Mascarenhas and Mbilinyi;Rald 1969, Shapiro 1978, Rald and Rald 1975). In theory, ujamaa policy should have evened up this disparity; in practice it would seem simply to have perpetuated it though on a larger scale, with increased work loads all round.

Various explanations have been offered for this. To begin with, communal production was always an addition to continuing forms of family production, so in that sense the work load was immediately increased. Women seem frequently to have provided a greater share of this new labour, as they provided a greater share of the old. In the very first ujamaa village settlements, women were reported to be the backbone of communal effort. They were working, as one observer described it, ‘ten to twelve hours a day in the fields, in addition to managing their homes and caring for their children’. Their commitment and the intensity of their input had consequences: ‘While the men debate enthusiastically women fall asleep during ujamaa meetings. They have worked so hard in the course of the day to make ujamaa living a reality that they are too exhausted to stay awake’ (Roger Lewin, ‘Matetereka’, 1969, summarised in Mascarenhas and Mbilinyi). Later studies tell the same story, although much of the evidence is buried in unpublished papers, reports and dissertations, and relates to limited areas of the country, so that a clear national picture is hard to gain. In Bukoba, when communal plots were established, women formed a majority amongst the workers, and did more of the work, but private plots remained, where wives were effectively obliged to work, first to produce family subsistence and then to produce cash crops. Communal work (three mornings a week) was thus ‘an additional burden on women’s strength’ (Swantz, 1985:64). In Moshi, Swantz found that men sent their wives to work on the communal plot on their behalf, whilst they found employment outside the village. In Morogoro, ‘village projects increase [women’s] work load without their participation in deciding about the projects’ (M-A Oomen-Myin 1981, summarised in Mascarenhas and Mbilinyi). In Tanga women took on more of the work on communal plots than did men,
although it was the men who decided how often they should work and how much work should be completed. In addition to communal productive efforts, women in many places were expected also to set up ‘women’s farms’, usually under the aegis of the UWT. In Mbeya women told Mbilinyi that: ‘We work for the village two days and one day for the UWT’.

As time went on, and as pressure intensified simply to increase the marketed product — and never mind how, peasant women found themselves pressed beyond their time-honoured role of producing the food to feed their families, and into production for the market. The pressure here came initially from the state, where the need for foreign exchange demanded the increased production of crops for export. This continuing imperative is disguised by ideological formulations that present women themselves as the problem. Thus under the heading: ‘Women told to grow cash crops’ we find the Chairman (sic) of the UWT urging women ‘to engage in cash crop production in a bid to supplement family incomes instead of depending on their husbands’ (*Daily News*, 23 March 1988). In some areas women’s family subsistence production has begun to give way to production for export, for example, tea in Rungwe, so that even food is increasingly purchased rather than produced.

In order to understand why women in particular faced an increasing intensity of labour in consequence of the ujamaa/villagisation policy, it is necessary to look at the bonds of custom and practice which continue to oppress them. When private family production was reconstituted within the new system it generally entailed a reaffirmation of men’s power over women. Very little was done to challenge either customary land tenure systems in which women were effectively rendered dependents, or to question men’s political power. Again it is difficult to generalise for the whole of Tanzania, because customary land tenure varied from area to area, but in most places women’s access to land is dependent on their status as wives or daughters. Wives are allocated land on marriage, land from which they have an obligation to feed their families. An example from one area is revealing of the attitudes involved: ‘Women don’t need property of their own’, stated a male elder in Bagamoyo; ‘We take good care of her, like we take good care of our cows’ (Vuorela & Reuben). Where women are divorced however, the ‘good care’ is often shown to be a sham, as a woman then immediately loses her rights to a livelihood.

The original policy of ujamaa should have transformed this inequity by replacing family ties with individual membership of a larger productive community. In some places women have indeed been able to assert their individual rights as part of new village units in order to get access to land. But for most women, the persistence of private family production has simply perpetuated their dependence on husbands or fathers for access to land. New obligations to the community have not succeeded in undermining women’s continuing obligations to husbands and families.

If women’s access to land is still largely circumscribed by patriarchal land tenure systems, women’s rights to the proceeds of their labour is still...
conditional on the goodwill of men in most places. Mbilinyi describes how in village meetings for women held in Mbeya, the main complaint was over their share of income produced by the whole family: 'The husband is the boss', said one woman; 'he decides how much cash from coffee to give the wife'. Women apply their labour, but when crops are sold it is usually men who pocket the proceeds and women who find themselves having to beg for money to feed or clothe their families. Even, it was said, 'our husbands marry other women with [the] money'. In Moshi, Swantz found that men had even tried to collect the payments made for their wives' labour on the communal farm. In Tanga, women who set up a plot to grow vegetables for sale passed on the proceeds to the village chairman to set up a village shop and the money disappeared.

Women are increasingly demanding a fairer share of the reward for labour contributed, and that they are doing this at all should perhaps be seen as one 'success' of the villagisation policy. Alice Nkhoma reports one example: when cotton was introduced by the leaders in a village in Mbeya in 1980 to be grown on the communal farm, the results were disappointing: 'The women were not keen on it; they said they had too much work'. On the other hand women are also learning to make money on their own account and sometimes hiding the proceeds from husbands — by producing beer for sale from food crops, for example, or selling crops whilst their husbands are away working in distant towns. Such income-generating activities have on occasions been a source of open conflict between men and women, as Nkhoma's article makes clear: in the early 1970s when the women in the Mbeya village she studied got together to sell their home-produced beer, the all-male village council stepped in and took it over 'on the grounds that they had failed to run it smoothly', and handed it over to a man. The women's protests to the council went unheeded, but their subsequent refusal to supply the entrepreneur with beer led to the collapse of the business. But in Lushoto: 'One particularly striking example of village authority was the takeover of a maize mill, which women had run effectively for over five years ... Under its new management the mill had a short-lived existence of a few months. Unused and abandoned it was 'slowly dismantled' (Grohs, 1985:35).

Whilst ujamaa policy set up forms of democratic representation in villages, in practice women have often been excluded from decision-making. Von Freyhold's study of four villages in Tanga (1979) showed that in one there were no women on the village council; in another 'women were not allowed to speak in formal public gatherings'; in a third the village chairman set up his wife as leader of a women's committee who followed orders from the District Administration. In Morogoro: 'village government is controlled by men' (Oomen-Myin 1981). In west Bagamoyo, women complained that:

If we are called to a village meeting there must be work to do that day. If they [men] are discussing money, we are not called. When women do speak up they fear scorn. Men say "Who are you to speak? You are only a woman" for as another woman
In all these ways then, it has been argued that the most fundamental ‘development’ policy to be enacted in Tanzania since Independence has done little to improve the lot of rural women — except to bring them together in new forms of oppression, out of which are beginning to emerge individual and collective forms of verbal and actual resistance. From the state perspective, this policy may also be said to have failed effectively to harness the energy of the majority of the rural population — women.

**Conservation**

I will be briefer in my second example of development policy which is said by critics to neglect consideration of the part which peasant women play in rural production, and which is thereby set to fail. This example relates to environmental protection, and in particular to the conservation of scarce resources, in this case fuel wood. Ninety per cent of Tanzanians rely for their domestic fuel requirements on wood and charcoal (Armstrong and Garry). But supplies of fuelwood are now failing to keep pace with consumption: as Armstrong and Garry put it, this is ‘a basic needs issue affecting ordinary households of the mass of rural peasantry’. Depletion of forests is also a wider conservation issue, with soil erosion as a major outcome. Not surprisingly then, government is concerned about the issue and has tried to establish tree planting schemes in various areas, to be implemented by the Forestry Department and by village governments. The lack of success of these programmes is debated by Tanzanian development planners who, however, fail to pay sufficient attention to the gender relations of household reproduction in rural Tanzania. As Armstrong and Garry note: ‘Virtually no farmer buys fuelwood because it is his wife and daughters who are responsible for ensuring that enough fuel is available for cooking and other domestic purposes’. Women are having to go further and further afield to find firewood, but men do not even have to think about fuel. When asked to solve the problem by planting trees, they are thus understandably reluctant, and women, as we have seen, do not have an effective voice in village councils. Hence little is done, and environmental policy is effectively nullified.

On occasions such schemes disadvantage women in very specific ways relative to men. In one area — the Usambara mountains in western Tanzania — several conservation projects were introduced by a German aid team: macro-contour lines (barriers) in fields, tree planting and the feeding of cattle in stalls rather than allowing them to graze freely. All of these measures were intended to reduce the ravages of soil erosion. As Ulrike von Mitzlaff points out (1988), not only were women not consulted about these projects or drawn effectively into their implementation, they were also disadvantaged by them in a series of ways. Women’s subsistence plots are small and situated on steep hill sides, where the loss of land in building macro-contour lines would have been excessive; women also face loss of land when large afforestation projects replant the uphill areas;
finally women used to milk the cows and hence controlled the distribution of milk and the production of ghee for sale, whereas in the new scheme of things it is men who do the milking and control the proceeds, whilst women's work load is increased in finding and bringing fodder to the animals.

Taking Women into Account — the Women in Development (WID) Way

If development planners in Tanzania have largely neglected women in the past, there are signs that they are now beginning to take them into account. They are doing this in order to benefit from a shift in policy by international aid agencies who since the 1970s are adopting programmes 'to improve opportunities for women to participate in development and to help them overcome some of the economic and social factors that limit their participation in this process' (McNamara, then President of World Bank, 1979). I want to end by showing why feminists in Tanzania have not been uniformly happy about this shift towards what they call the 'Women in Development' approach (WID for short).

I have already indicated one point of criticism: that the WID approach creates divisions amongst women themselves as it benefits only a few women (foreign experts, local women 'leaders') whilst the mass of women are no better off. Telling examples are recounted of competition amongst local groups for aid assistance, the embezzlement of funds by 'smarter women', the search by aid agencies for authentic 'native born' consultants, misguided advice offered by foreign experts and so on. Meena's main criticism is of local 'petty-bourgeois women' whose class position was confirmed by their being taken on as local contacts. In this capacity they were seen by outsiders as authentic representatives of 'Tanzanian women', when in fact they mostly acted and spoke for their own class interests. Whilst it has to be conceded that some women do well out of the opportunities offered by external agencies, women's projects increasingly rely on external funding in order to operate at all. The UWT which sponsors many such projects 'has to rely predominantly on foreign donors', and some projects have collapsed when external support is withdrawn (Grohs, 1985).

The programmes on offer are on occasion totally irrelevant to village life — for example, the provision of electric sewing machines to villages without electricity (Vuorela, 1987), or new methods of cooking using gas cookers rather than wood fires. On the whole they encourage women into individualistic income generation in domestically related tasks, and offer crumbs to be squabbled over rather than helping to initiate a general transformation in the conditions of life for poor peasant women. Koda et al go further: 'Creating new income-earning activities is not necessarily a priority for poor peasant women, who already produce income. The question is who will benefit from their labour?'
The ‘Women in Development’ philosophy takes it as axiomatic that the problem for poor women in the third world is that they have been excluded from the ‘development process’ (Boserup and Liljencrantz, 1975). The group of researchers around the WRDP already begins from the view that what is meant by ‘development’ in the operations of international agencies like the World Bank or USAID is the encouragement of capitalist relations of production. In this sense, they insist, women have been incorporated into capitalist development for many decades already, initially by their role as wives and mothers of men who went away to work on settler farms and plantations during the colonial period. In that capacity they continued to provide for families left behind, and to provide a subsistence base to which men who could no longer find work could return. Effectively women subsidised cheap migrant labour. As time went on women were also integrated into capitalist development by their production of agricultural commodities for sale, as they attempted to find the cash needed for survival. As we have seen, women’s production for the market has become an increasing part of their productive effort. In short, capitalist development never excluded women, though the part they played in it was often different to that of men.

The WID philosophy became fashionable amongst international agencies at a time when the World Bank and others were promoting ‘smallholding’ as a means to increase the production of agricultural commodities which were subsequently processed and marketed by transnational corporations. Women were seen as an untapped resource in this form of promotion. In Tanzania such global capitalist interests were involved in the production of sisal, tea, sugar, cotton, and a host of other commodities. Nationalisation of land and an expansion of the role of the state in the phase after the Arusha Declaration did not spell the end of such interests, they merely offered them new forms of operation (marketing, consultancies etc) in joint ventures with the state.

As Tanzania’s ‘socialist’ policies have given way to the cold winds of recession, transnational corporations have begun to expand their directly productive activities once more, with the full backing of the World Bank, which has now switched its emphasis back from small holding to large scale farming. Mbilinyi argues that women’s labour is increasingly important for this expansion, both as direct wage labour on large scale capitalist agricultural enterprises and as suppliers of cheap auxiliary products — raw materials for processing and food for workers. Women form an ever growing proportion of the casual and permanent wage labour force in agriculture, and hence she asserts that there has been a ‘feminisation’ of agricultural labour in the service of international capital.

In short, the acknowledgement of women’s special needs in the WID philosophy is not enough for those Tanzanian feminists who see this development as part of an international strategy to bind women ever more firmly into capitalist relations of production and ‘dependency’.
Conclusion

I want now to return to my starting point — the taxation of women. We can now see that there could be a certain logic to this policy in contemporary Tanzania, even as it exposes the contradictions in the lives of the majority of Tanzanian women. Studies which come out of this controversial field argue that women do indeed produce more than men in the countryside, and that this is an outcome partly of capitalist transformations of the relations of production in agriculture and industry during the colonial period leading to the transfer of men into wage labour. But they add that this tendency has been exacerbated as a consequence of so-called socialist policies since independence, policies which have intensified women’s work loads without transforming patriarchal social relations. Thus whilst women produce more this is not always in the form of products for sale, and where it is, they do not always or usually enjoy the rewards of their labours, since these are often appropriated by men.

Tanzania has recently been forced to turn to the IMF in order to fund an Economic Recovery Plan, and whilst the IMF’s Structural Adjustment programme has revitalised export agriculture by way of new investment, it has undermined the real value of incomes in consequence of successive devaluations and the removal of price controls on some basic consumer goods (Carter, 1987, where it is noted that recent annual levels of inflation are above 25%). This has put the heaviest pressure on those least able to bear it, namely the poorest section of the population — amongst whom women are particularly hard hit. There is a growing urgency for families to have cash to cover their requirements for clothes and school payments, and women have begun to market a rising proportion of subsistence foods, and to look for other ways of generating income as survival demands that they contribute to the rising cost of these household expenses.

Taxing women increases their need for a cash income, and given the limits on women’s earning capacity, and the dwindling value of what they can earn, this cannot but intensify their dependence on men in the short run. The political implications of this were implicitly underlined in 1987 when it was announced that village governments would henceforth become the official agents for collection of the Development Levy, in return for which they would retain 3% of the proceeds (Bulletin of Tanzanian Affairs). For, as we have seen, women do not play an equal part in village councils with men.

If the poll tax in the colonial period played the role of coercing men into wage labour, and families into increased production for the market, then the Development Levy today will surely in the long run to have a similar function for women, and one which will bind them more closely into capitalist and petty commodity relations of production. One result of the debate on gender in Tanzania has been to highlight and assess critically this process, exposing the mockery it makes of claims that women are now more effectively ‘integrated into development’.
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Bibliographic Note


The Hidden Economy: Informal and Parallel Trade in Northwestern Uganda

Kate Meagher

This study of informal and parallel trade in Uganda's Arua District shows that such trade has a long history back through colonialism. Its roots do not lie in the distortions of post-colonial state intervention, as the current conventional view would have it, but in the activities of the colonial state in imposing borders and divergent currencies and in implementing trading networks. More recently and as part of adjustment programmes, attempts to shift incomes from traders to farmers, by raising producer prices and taxing traders' incomes, have resulted in traders shifting to parallel markets over the border in Zaire. One such market in Ariwara is analysed and shown to involve trade in visible manufacturers and foodstuffs and more crucially in gold, US dollars and coffee. Conventional views that parallel trade is limited to export crops, and that such cross-border smuggling is on barter terms, are shown to be greatly mistaken, given the existence of a multi-product market lubricated by a sophisticated multi-currency and gold market. In conditions of shortage, where alternative supply channels exist, policies of 'structural adjustment' which fail to take the basis of these parallel markets into account, will not succeed.

The second and third economies actually achieve a secondary redistribution of incomes and, to a lesser extent, of factors of production, which goes on in secret. Under these circumstances ... the long term consequences of economic measures turn out to be completely unexpected for the planners themselves, since they take place in an environment which does not exist for them and is radically different from their reality, that is, from the officially acknowledged situation (Feher, 1983:103).

The officially acknowledged situation in any economy has a great deal to do with officially sanctioned modes of enquiry. Comprehensive investigation of parallel trade, in Uganda as in the rest of Africa, has been obstructed
by the cult of price, which disregards the historical and complex organisational dimensions of the parallel market, assuming it instead to be a spontaneous reaction to the price distortions of recent decades. Policy measures intended to treat parallel trade, however, cannot be effective as long as they simply assume the parameters of the problem and ignore its deeper historical and institutional dimensions.

This article presents the results of 'seed' research on informal and parallel trade in the District of Arua in northwestern Uganda, an area notorious within Uganda as a source of parallel market currency. The primary aim of the study was to gather empirical information on rural trade and the ways in which it is being affected by the current structural adjustment programme.

The research focuses on the activities of rural distance traders and shopkeepers operating in the large district market in the remote town of Arua. The study was conducted in September 1988, two months after the announcement of a budget which devalued the Ugandan shilling by 60%, doubled producer prices and quintupled the cost of licence fees for produce traders. Seasonally, September is toward the end of the rains, shortly before the food crop harvest in Arua District, and during the tobacco harvest. The timing obviously influences the picture presented, since the roads were at their worst and the movement of crops from neighbouring districts was more pronounced than it would be after the food crop harvest in Arua. But this is a seasonal phenomenon that recurs annually. The way rural markets operate under these conditions gives important clues as to the more general structure of their operations, and to the likely effects of structural adjustment policies on their ability to function. The increasing importance of parallel trade emerges in this context, not as a spontaneous solution to price distortions, but as a well-articulated aspect of the informal marketing system, and an increasingly necessary alternative to participation in the official economy.

**Historical Dimensions of Informal and Parallel Trade**

A central assumption obscuring the analysis of parallel trade is the widely held belief that it originated from price distortions created by the interventionist economic policies of post-colonial governments. This grossly underestimates the pedigree and sophistication of parallel trading circuits. While price distortions have certainly contributed to the growth of parallel trade, the trade itself was the creation of colonial regimes imposing borders, divergent currencies and repressive commercial legislation on pre-colonial trading networks in an attempt to gain control of the market.

Igue's study of parallel trade in West Africa outlines three characteristics which have played an historic role in the emergence of parallel trade in Africa: the existence of the same ethnic group on both sides of the border, the important role played by commerce in the area, and the preponderance of migrant labour moving or remitting wages across the border (Igue,
The parallels with the Ugandan situation are illuminating. Both
the Ugandan and the Zaire sides of the northwest border are inhabited
by the Lugbara people, with family and exchange ties pre-dating the
establishment of the colonial boundary. While the Lugbara did not have a
highly developed commercial tradition, trade with the Congo for iron, and
with the Nile valley for fish, were basic to the pre-colonial economy. In
addition, the whole of the Ugandan northwest as far as Gulu was
penetrated by official trading ventures from the Viceroy of Egypt in
Khartoum in the late 1830s, more than sixty years before the British signed
the Uganda Agreement (Soghayroun, 1981:1). By the beginning of the
colonial period, trading contacts between the Lugbara and Sudanese
traders from as far north as Khartoum were well established, and a rising
proportion of the Lugbara were converting to Islam (Soghayround,
1981:132). This challenges, as well as reveals the Euro-centrism of
Middleton’s assertion that ‘the first traders reached Arua by 1915.’

Early British attempts to gain control of trade in Uganda involved policies
directed toward restricting Muslim commercial activities, partially by
restricting the spread of Islam. Christian missionaries were sent to west
Nile in the 1920s to start schools, which provided the only western
education in the area until independence (Barnes, 1984:5). These schools
excluded Muslim children, thus cutting Muslims off from the skills
necessary to advancement within the colonial system. The result was to
reinforce the importance of commerce for the material advancement of the
Islamised inhabitants of west Nile (Barnes, 1984:142-3).

Further measures aimed at consolidating control of the market via the
licensing of traders were introduced in the 1930s, driving the bulk of
indigenous traders out of the official market (Van Zwanenberg & King,
1975:162). Here the historical tracks of indigenous traders grow faint,
obscured by the burgeoning framework of the official market imposed by
the colonial administration. However, the resumption in the late 1970s of
long distance trading activities along similar routes linking west Nile with
eastern Zaire and southern Sudan suggests that unlicensed local traders
continued to ply the informal (now parallel) trade routes of the
pre-colonial era after the 1930s.

As regards the movements of migrant labourers, the west Nile region
functioned as a labour reserve until the 1950s, but the movement of migrant
labour was south of the cotton growing districts of Buganda and Busoga,
not across the border, although migrant labourers from the Zaire side of
the border joined the movement south (Powesland, 1957:55). While this
helped to forge informal commercial networks between Buganda and
Busoga (whose trading centres are Kampala and Jinja), and west Nile and
Zaire, it is the recent movement of refugees back and forth across the
borders of Sudan and Zaire that has established population movements
particularly suited to parallel trade. The importance of refugee activities
in the development of parallel trade will be discussed in more detail below.
While parallel trading networks have a long history, recent events have contributed to a marked increase in the scale of parallel trade in Arua district. A primary factor was the creation of non-convertible currencies following independence, resulting in a rising demand among traders for convertible exchange such as US dollars, gold and coffee. A second important factor in recent times has been the deterioration of the conditions necessary to viable trade within Uganda, primarily the poor state and high cost of transport, and a flat rate income tax far out of proportion with most traders’ incomes. The current socio-economic context of parallel trade is best represented by situating parallel activities within the current economic and marketing conditions operating in Arua.

The Informal Market in Arua
Layout and Organisation
The town of Arua has one large market located just behind the main street. The market consists of a large walled, open air structure, a taxi park, where vehicles are loaded or offloaded, two storage buildings, and a large open area of stalls some 150 meters beyond the market building. Arua market operates seven days a week, with ‘big markets’ on Mondays and Thursdays. Retail traders from surrounding towns and villages, and wholesalers from more distant areas, bring their goods to Arua on these days, transforming the market from a local centre of exchange into a major distributive centre. Local inhabitants from as far as Maracha (18km), Yumbe (60km) and Moyo (100km), and from across the Zaire border (15km) bring their produce to market and purchase goods brought in by shopkeepers and long distance traders for sale in the smaller markets of their surrounding villages, most of which operate on a periodic cycle of two days per week.

By far the most visible activity in the market is the retailing by local inhabitants of local produce, prepared foodstuffs, fish and small manufactured consumer goods. These activities are, however, far less economically significant than the less immediately obvious wholesale activities by distance traders from as far away as Jinja (800km). The major items in this distance trade are cassava, millet, simsim and dried fish, which provide a combined turnover of the order of 15-20 million shillings a week during the pre-harvest season, surprisingly high for a small district town of about 5,000 people.

Wholesale transactions are largely conducted outside the market building, except where lack of storage forces certain wholesalers to stock their goods inside the market. This tends to obscure the importance of the less visible large-scale trade. It is distance food crop traders, for example, not local retailers, who ensure the food supply in Arua, a food deficit area owing to the recent return of tens of thousands of refugees and the preference of Arua farmers for tobacco as a cash crop.

The turnover in food crops alone, however, is far in excess of the
consumption needs of the area, and suggests a substantial proportion of what is bought in Arua market is for trade across the border, where the demand for foodstuffs is high.

A section of particular interest in the market are the hawkers’ stalls, located beyond the taxi park to the left of the market building. Here, half an acre of neatly arranged stalls made of sticks function as the main outlet for the shops which line the three main streets of Arua. The shops themselves serve largely as storage and as a necessary front for a wholesaler’s licence for imported goods, but rarely are sales transacted on the premises. In addition to being the distributive outlet for imported goods from Kampala, the hawkers’ stalls are also distributive outlets for goods purchased on the parallel market in Zaire. Wrappers from Zaire and used clothing imported via Mombasa and wholesaled in the parallel market in Zaire are prominently displayed. In fact, new and used clothing is by far the largest item in the hawkers’ market, occupying one quarter to one third of the total area.

Shopkeepers and distance traders are important suppliers of markets in northeastern Zaire, which are chronically short of manufactured goods and certain foodstuffs. The northeast of Zaire is poorly supplied with essential imports from Kinshasa, which is four times the distance between Kampala and the region over roads far worse than any in Uganda.

The Food Crop Trade
During the period of the study, the most important commodities in the market were cassava, brought in from Paidha, dried fish from various locations on the Albert Nile and, more seasonally, millet and simsim from Gulu, all supplied in extremely large quantities by distance traders (Figure 2). The turnover for one group of cassava traders from Paidha was four hundred 100kg sacks per week. At Arua the selling price of 4,500/- to 5,000/- per sack, yielded a turnover on the order of 2 million shillings per week for a single trading group. Simsim and millet also had a turnover of hundreds of sacks per week.

Trading profits, however, are less impressive. Some of the trading groups are quite large. The cassava group mentioned above contained forty members, only half of whom would come to market at any one time, while the other half were procuring cassava back in Paidha. More serious were the high procurement, transport and licence costs faced by distance traders. In September 1988, a sack of cassava cost 3,000/- to purchase in Paidha, 1,000/- per sack for transport to Arua, and an additional 800/- per passenger. Expenses on the road amounted to about 5,000/-. An individual cassava trader, who handles about twenty sacks per trip every two weeks, is left with 28,000/- per month, from which has yet to be deducted market dues, storage costs and licence fees. Millet and simsim traders from Gulu are similarly squeezed by high transport costs and poor road conditions, both of which severely restrict the frequency with which they can bring goods to market and the volume of goods they can procure and transport.
Figure 2
INFORMAL AND PARALLEL TRADE AREA OF ARUA MARKET

Approx. 1:3,000,000
Review of African Political Economy

for the cash available. Transport costs for millet and simsim were 2,500/- per sack and 2,000/- per passenger in September 1988. Millet and simsim cost 2,500/- and 8,000/- per sack respectively in Gulu, and sold in Arua for 7,000/- in the case of millet, and 15,000/- in the case of simsim. Thus, unit transport costs, disregarding passenger and incidental costs, were 17% of the final sale price of simsim, and 36% of the final price of millet. A lorry could be hired from Gulu for 200,000/- which was cheaper per unit than transporting by consignment, but requires a larger volume of produce and cash for transport. The cost may drop to 180,000/- in the dry season when the journey can take as little as one day, as against a maximum of ten days in the rainy season.

These figures are only indications of the costs faced by rural traders but are by no means clear indications of their incomes. On the side of costs, these figures abstract from the additional incidental costs of procurement and storage at the source, marketing costs for selling and storage space in Arua market, and porterage costs of 100/- per sack for off-loading at Arua market. There are also losses in transit owing to water spoilage, bad roads, military levies, etc. These cost and risk factors must be considered together with the seasonal nature of the produce trade. Most produce traders engage in a variety of other trading and non-trading activities during other seasons of the year. Many are farmers. These factors render the calculation of profit margins misleading unless they are averaged over the whole range of seasonal activities and fluctuations in harvests and prices over a period of years.

What these figures do establish is that produce traders are in no position to bear the licence fee cum income tax of 250,000/- announced in the July 1988 budget, especially in view of the high transport costs faced. This amounts to nine months’ proceeds for a cassava trader, assuming that cassava traders actually operate throughout the year. Those traders who are not forced out of trading, or do not resort to trading without a licence, will be forced to gain profits through parallel channels in order to maintain their ‘official’ trading status.

The Dried Fish Trade
Smoked and salted fish from the Albert Nile constitute in value terms the single most important commodity sold in the Arua market. The importance of the trade is not only reflected in the value of turnover, which is estimated in the range of five to ten million shillings a week, but also in the extensiveness of the distribution network, which extends westward to Zaire and as far north as Yei in Sudan.

The principal sources of dried fish for the Arua market are Panyimur, Wanseko, and Rhino Camp on the Albert Nile, Pawar a little farther inland, and small dried fish brought up from Jinja. The constraints faced by dried fish traders are similar to those of distance food crop traders, namely high transport costs, high levels of taxation and squeezed profits. The major difference of the fish trade is the more consistent level of demand for fish,
which cannot be obtained locally, as compared to food crops which are less in demand from more distant sources after the Arua harvest. The demand for dried fish in Arua is intensified by the high prices offered for resale in Zaire, 43% above the Arua price for 18km of transport.

A smaller type than the Nile fish is brought up from Jinja and sold by the sack, or retailed by ten litre tins or small heaps. The peculiarity of the Jinja fish trade is not only the size of the fish, but the exceptionally long distance of the trade (800km) and the sex of the traders, all of whom are women in contrast to the predominantly male character of all other distance trade in Arua. These traders face extremely high transport costs: 1,600/- per sack or 400,000/- to hire a lorry, which holds 170 sacks. But the price differential is also large. A sack costs 6,000/- in Jinja, and sells for 13,000/- in Arua.

**Shops and the Informal Market**

The shops in Arua appear to operate as independent establishments but, as mentioned above, most are closely linked with hawkers' stalls in the market. Many of the shopkeepers interviewed claimed to do the bulk of their business in the hawkers' stalls or in small lock-up shops in the market. One shopkeeper claimed she did barely 1-2,000/- business a day inside the shop and not more than 10,000/- in a week. The link with the hawkers' stalls is only part of the reason for the low volume of business actually done in shops. Like distance traders, shopkeepers are increasingly constrained by high transport costs and the deteriorated state of the roads. The journey from Kampala to Arua, which used to take half a day before the wars, now takes up to two weeks, with substantial financial risk due to sudden price increases in Kampala and dire road conditions during the rainy season. Most shopkeepers, except those importing directly from abroad, claimed that there was no profit in bringing goods up from Kampala for sale in their shops, a fact reflected by the generally empty shelves.

Unprofitable as they may be as trading establishments, shops are useful as a base for more profitable activities. They provide access to a licence for buying manufactured goods wholesale in Kampala, and they provide storage, the lack of which is a serious constraint on trade in Arua. This state of affairs testifies to the schizophrenic nature of trade in rural areas, which must conform simultaneously to official requirements in order to gain access to officially regulated areas of trade, and to informal commercial organisation in order to obtain customers and accommodate the constraints of the rural environment.

Some shopkeepers have turned to hoarding goods, especially officially distributed and subsidised goods like sugar and petrol, for transport to the parallel market in Zaire. The high cost of an imported goods trading licence, raised to 500,000/- in the July 1988 budget, provides a further incentive for speculative trading.
Constraints on Legal Trade
The high cost of transport and an impossibly high level of taxation are clearly the major constraints on participation in the official economy. Both of these constraints have been exacerbated by structural adjustment policies designed to shift resources from traders to farmers. The July 1988 budget doubled producer prices and shifted the revenue burden onto produce traders, among others, by quintupling the cost of income tax/licence fees. This tactic is proving counterproductive for three reasons.

The first is that although the primary motive in these adjustments was clearly increasing state revenues, according to the Commissioner for Marketing at the Ministry of Cooperatives and Marketing, the result has been a marked decrease in tax revenues, as the sale of produce trading licences has dropped from 2,000 a year to only three or four in the month following the 1988 income tax increase.

The second is that a large percentage of rural traders are themselves small farmers. Owing to the seasonal nature of the rural economy, farmers use dry season trading to supplement their incomes and generate resources for the coming agricultural season. Especially in the semi-arid rural areas such as Arua, where seasonality enforces a strategic lack of specialization in livelihoods, crude attempts at shifting resources from traders to farmers only weaken the economic stability of rural producers. Whether the activities of trader/farmers, however stabilising, involve the exploitation of farmers too poor to trade is another question, and one which it would be prudent to investigate before wholesale promotion of the wisdom of liberalisation.

The third reason that current measures are proving counterproductive is that, under current economic conditions, many farmers are dependent on traders for marketing and for access to consumer goods and foodstuffs during the pre-harvest season. Both in their role as flexible marketing agents and as sources of their own agricultural financing, traders play an important role in the maintenance and development of small-scale commercial agriculture, a role the state is not at present capable of taking over efficiently. The Produce Marketing Board has only one depot in the entire northern region, located in Gulu, 200km from Arua. Devaluation may theoretically shift entitlement to small farmers, but not the goods and services that translate entitlement into material benefits. At the same time, devaluation shifts entitlement away from traders through high procurement prices and transport costs, driving up the price of consumer goods to farmers, and increasingly, driving out of the official market the government’s main ally in the provision of low cost marketing services which translate producer price rises into material incentives. In this situation, to squeeze the rural trader is to squeeze the small farmer.

The sense of being squeezed by the current regime is particularly acute in the northwest. The government promised to waive 1988 taxes and school fees in war devastated areas. This was done in Luwero, but in Arua district both taxes and school fees have not only been required but increased.
Receiving little in the way of government support or services, and under a growing degree of financial pressure, those with the opportunity are increasingly turning to the parallel market.

The Parallel Market
Organisation and History
The informal market economy in Arua is intimately connected with the operation of a parallel market in Ariwara. Ariwara is in Zaire, about 30 km from Arua. The crossing can be made legally with a travel document available from the Immigration Office in Arua, which remains valid as long as there is room on the document for border stamps. The document can be obtained in one day and requires only a Ugandan identity card as identification. Supplementary payments may be required of local traders, but the author was required neither to show a passport nor to pay any fee. During the period studied, the cost of crossing involved 1,600/- to 1,800/- for transport, 200/- per passenger to the Zaire border guard, 400/- to the Zaire immigration officials (1,000 for foreign passports without visas), 200/- to the Zaire customs officials, and 200/- to enter the market. In all, a trip to Ariwara market cost some 2,700/- per Ugandan passenger plus additional charges for the transport and import of any merchandise carried.

The market in Ariwara appears to have begun around the time of the 1979 war. Previously, there had been a number of border markets at which different types of border trade were carried on: one in Keri on the Ugandan side, one in Alu in Zaire (where Ugandan and other foreign traders staying in Zaire still retire in between Ariwara market days), and one in Baza, which remains the base of wealthy Sudanese businessmen trading in Ariwara. After 1979, military activities eliminated the Keri market and threatened the security of the market in Baza. At the same time, Ugandan refugees had significantly increased the density and fluidity of the population in northeastern Zaire. The previously small market in Ariwara gradually became the focus of greater market activity. Business from the various border markets shifted to the growing Ariwara market, the border trade from Sudan, Zaire and Uganda all converging on the one location. The intensified level of trade has attracted traders from Somalia, Kenya, Senegal and Guinea Bissau who operate trade circuits converging on Ariwara, thus extending the economic network of the market from coast to coast on the African continent.

On the surface, the Ariwara market looks like an ordinary market. The layout involves a large field of open air stalls surrounded by rows of stores and lock-up shops. The layout of Ariwara market is distinguished from that noted in markets in the west Nile District (Arua, Yumbe and Moyo) by the absence of a surrounding wall defining the main marketing area. Middleton (1965:571) identifies a surrounding wall or hedge as typical of Lugbara markets. The layout of Ariwara market, where the marketing space is defined principally by the orientation of the various stalls and
buildings, bears a closer resemblance to the layout of rural markets in central Sudan as diagrammed by Reeves, suggesting a strong Sudanese influence on the evolution of the Ariwara market. The market is organised according to the goods sold, with manufactured goods in the section closest to the parking area, tea stalls immediately behind the manufactured goods section, and foodstuffs at the far end of the market area. The big markets occur two days a week, on Wednesday and Saturday (two days after the big markets in Arua, to allow one day for travel to Ariwara).

The central dynamic of the market lies in the interaction of the visible foodstuffs and manufactured goods trade with a less visible gold, US dollar and coffee trade. The operation of this parallel trading dynamic displays a high level of sophistication involving parallel exchange rates calculated on the interplay of supply and demand for the central commodities, and close attention to world market prices.

The Parallel Exchange Rate

The operative currency in the Ariwara market is the zaire. A zaire-shilling exchange rate, calculated on the supply and demand conditions of Zairois and Ugandan commodities traded in Ariwara determines the price at which Ugandan traders can convert their currency. During the period studied, the parallel exchange rate was 0.6 zaires to the shilling. The parallel value of the shilling is approximately half the official parity of 1.32 zaires to the shilling, a value obtained by comparing the official rates of both currencies against the dollar (198 zaires to the dollar against 150 shillings — the value quoted for the zaire is for 15 August 1988).

The zaire-shilling exchange rate allows Ugandan traders in Ariwara to calculate precisely the profitability of transactions involving commodities bought in one currency and sold in another, and to decide when to shift from one parallel traded commodity to another as market conditions fluctuate. Despite the complexities of exchange rate calculations, transactions in the market are carried out in currency; there was no evidence of any barter trade.

While one can change shillings illegally on arrival at the market, carrying shillings in Zaire is technically illegal. Security is not tight, nor is it incorruptible, but it is nonetheless present in the form of plain clothes Zaire military intelligence officers who circulate among the crowds looking for illegal currency or illegal commodities. Regular traders in Ariwara engage in little actual currency exchange; they either bring their own supply of zaires with them, or keep zaires with local agents at the market.

The Central Dynamic of the Parallel Market

The central dynamic of the Ariwara market revolves around a triangular trade between Zaire, Sudan and Uganda. The Zairois bring gold from the mines in northeastern Zaire, which they sell in order to purchase local and imported manufactured goods, foodstuffs and fuel supplied by Ugandan traders. The Sudanese bring dollars which they sell to buy foodstuffs,
clothing and especially coffee, smuggled in from eastern Zaire and Uganda. Ugandans supply imported manufactured goods and foodstuffs and buy gold and dollars which can be used to import goods or resold at a profit on the parallel market in Kampala. Small farmers from Uganda also trade in Ariwara simply to reap the profit differential of a higher demand for consumer goods and foodstuffs in Ariwara, and then convert their zaire profits into shillings at the higher parallel exchange rate.

Gold: The gold sold in Ariwara is measured in tolas. The tola is an Indian weight equivalent to 11.4 grams, said to be equal to ten one makuta coins. The price of gold fluctuates with supply and demand, which is regulated by the mining and marketing conditions of gold, the world market price, the parallel price in Kampala and the number of buyers arriving from other areas. A change in the world market price of gold produces a quick response in Ariwara. Senegalese buyers are known for listening to the BBC Financial Report. Any sudden adjustments in the prices offered by the Senegalese is a signal to all other gold buyers, who also monitor international gold prices in the newspapers and by word of mouth.

Ugandan traders and businessmen buy gold either for speculative purposes or as a form of international liquidity. Substantial profits can be realised by reselling gold from Ariwara on the parallel market in Kampala. Some traders, especially those who deal in commodities obtained in Kenya, use gold as part of a two-way trade, buying manufactured goods in Kenya which they sell in Ariwara to buy gold, and then selling the gold in Nairobi for currency to buy more manufactured goods, thereby avoiding the problems of official exchange controls.

Dollars and Coffee: Dollars are sold in Ariwara in units of $100. The price is determined by supply and demand, the supply being highest during the coffee season and, since the escalation of the war in southern Sudan, after the arrival of a monthly convoy from Juba. The differential between the Ariwara dollar price and the parallel price in Kampala has substantial influence on the supply of dollars to the parallel market in Kampala.

The Sudanese at Ariwara offer a high price for unprocessed coffee, which they are said to re-export on the world market. In Ariwara, coffee sells for 150 zaires per kilogram — about 200 shillings at the exchange rate prevailing at the beginning of the 1988 coffee harvest. As of July 1988, the official price paid for coffee by the Ugandan Coffee Marketing Board (CMB) was 111 shillings a kilogram for robusta, about half the Ariwara price. The increase in the coffee producer price from 50/- to 111/- per kg (62/- to 125/- for arabica) was made in full knowledge on the part of the government that traders at the Zaire border were offering 150 shillings before the 1988 devaluation. The logic of increasing producer prices by less than the offering price of the competition reflects the bind in which the government is caught: required to provide an additional incentive to producers, but unable to dispense with the revenue that must be sacrificed to that end. The larger Sudanese businessmen do not go personally to
Ariwara. They remain in the village of Baza, a former centre of Sudanese parallel trade in Zaire, and send agents to Ariwara to make their purchases. The goods bought are accumulated in Baza until there is a sufficient quantity to make the trip back to Juba.

**Foodstuffs and Manufactured Consumer Goods:** In general, most of the foodstuffs and imported goods sold in Ariwara are brought by Ugandan traders. Foodstuffs from northwestern Uganda find a more lucrative and accessible market in Zaire and Sudan, whose borders are much closer than depots and main centres of demand in Uganda. Certain foodstuffs, especially okra, onions and cassava, are in high demand among Sudanese traders, a demand exacerbated by the disruption of agricultural production by the war in southern Sudan. Dried fish and some types of fresh produce are in high demand among the Zairois. Dried fish sold in the Arua market for 7,000/- a packet is resold in the Ariwara market in Zaire for 10,000/-, whence it is resold as far north as Yei (Wilson et al, n.d.:18). While Wilson et al do not discuss prices, they emphasise the economic risks incurred by refugee traders:

> Travel between Yei and Zaire has particularly severe risks. The case of the marketing of Ugandan fish brought via Ariwara (Zaire) is a prime example. Apart from the heavy official taxation charges both in Yei market and the Zaire border, traders face unofficial charges at roadblocks in Zaire and harassment and looting by Zaire military personnel.

The influence of Ugandan refugees on marketing activities in southern Sudan is evidenced by the sale of vegetables and clothing from Nairobi brought to the Yei market from ‘Zaire’ by Ugandan refugee/traders who were found to travel extensively across the borders and to handle much larger quantities of vegetables than local Sudanese traders (Wilson, et al n.d.:18); the authors also suggest a reason for the high demand of the Sudanese for onions from Uganda. In the Yei market, northern Sudanese merchants have a monopoly on the sale of onions grown in Sudan, which can only be sold in the northerns’ shops. The sale of local onions is not permitted in the open market, which is forced to obtain its onion supplies from ‘Zaire’ Ugandan refugees appear to be fulfilling the role ascribed by Igue to migrant labourers, whose fluidity of movement across borders made them an ideal matrix for the development of parallel trade.

Paraffin and subsidised petrol and diesel represent another highly profitable trade for Ugandans. Certain Arua shopkeepers hoard petrol in their shops for transport to Ariwara, where demand among long distance parallel traders produces high prices. As a result, Arua suffers from severe petrol shortages, but one can always find at least one hundred drums of Ugandan petrol in the stores at Ariwara.

Manufactured and imported consumer goods, ranging from sugar and packaged tea to imported clothing, radios and bicycles are brought largely from Kampala, Mombasa and Nairobi by Ugandan traders. Traders of other nationalities also participate in the imported goods trade. Kenyan and some West African traders engage in the consumer goods circuit via
Nairobi and Mombasa. Zairois and Senegalese traders bring French and Belgian imports from Kinshasa. French and Belgian imports, especially clothing, are popular among the Ugandans, while British, American and cheap Hong Kong imports brought to market by Ugandans traders sell well among the Zairois. Even brand names have a scarcity value. There is a high demand among Ugandans for Lois jeans, imported by Zaire but not by Uganda, while the Zairois prefer Lees, imported by Uganda, but unavailable on the official circuit in Zaire.

One Mombasa trade circuit involves sugar, salt, flour, tea and mercury. These are transported by lorry through Uganda on a transit permit to Zaire. At the border between Kenya and Uganda, a bond of 22,000 Kenyan shillings is required for transit clearance through Uganda. At the Zaire border, a further payment of 600 zaires per sack is required before the waybills are stamped by Zairois customs officials. The stamped waybills can be presented at the Kenyan border for retrieval of the transit bond. The proceeds of the goods sold in Zaire are used to buy gold, which is sold in Mombasa to purchase more goods. The mercury is used in Zaire for extracting ('washing') gold; another mercury circuit originates in Kampala where university students are known to be a good source.

Used clothing is sold in large quantities in Ariwara. It is sold in large bundles costing 50,000 zaires for adults' clothing and 25,000 zaires for children's clothing at the time of the study. One Guinean trader imports used clothing along the same Mombasa trade circuit described above. He orders what he needs from agents in the US and sends payments through a bank in Mombasa. The large Sudanese traders used to be the best customers, buying fifty to one hundred bundles at a time. The war in southern Sudan has slowed business down considerably, leaving only the small-time retailers who buy one or two bundles to sell piece by piece in the open market.

**Seasonality**

While the Ariwara market operates year round, the movement, and hence the prices, of various commodities is highly seasonal. The price of gold rises during the wet season, when gold is more difficult to mine and poor road conditions make it extremely difficult for gold traders to get to Ariwara. The price of dollars tends to fall during the coffee season, when the supply of dollars is increased by large numbers of Sudanese businessmen coming to Ariwara to buy coffee, although the movements of the Juba convoy are currently a main determinant of the price of dollars.

Manufactured goods also have their seasons, in Arua as well as in Ariwara. Late September, when the tobacco farmers are paid by the BAT, is described by Arua traders as the bicycle and radio season. Farmers have more disposable income and tend to buy consumer durables and luxury items during this period. The bicycle season in Ariwara revolves around the period when gold is plentiful and Zairois gold traders are anxious to buy more expensive consumer items with their profits. When disposable
### Table 1
**PARALLEL EXCHANGE RATE (Z:Sh), GOLD AND DOLLAR PRICES IN ARIWARA MARKET, ARUA AND KAMPALA, SEPT-DEC 1988**

<table>
<thead>
<tr>
<th>Date</th>
<th>Exch. Rt. (Z:Sh.)</th>
<th>Good</th>
<th>Parallel Price Ariwara (Z)*</th>
<th>Parallel Price Arua (Shs.)</th>
<th>Parallel Price Kampala (Shs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>21 Sept (Wed)</td>
<td>0.60</td>
<td>Gold</td>
<td>32,500</td>
<td>41,167</td>
<td>45,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(52,370)</td>
<td>54,000</td>
<td>60,000</td>
</tr>
<tr>
<td>01 Oct (Sat)</td>
<td>0.65</td>
<td>Gold</td>
<td>27,000</td>
<td>41,167</td>
<td>45,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(41,540)</td>
<td>54,000</td>
<td>60,000</td>
</tr>
<tr>
<td>05 Oct</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>12 Oct</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15 Oct (Sat)</td>
<td>0.75</td>
<td>Gold</td>
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<td>46,660</td>
<td>55,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(52,850)</td>
<td>60,000</td>
<td>60,000</td>
</tr>
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<td>22 Oct (Sat)</td>
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<td>37,000</td>
<td>55,000</td>
<td>60,000</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td>(57,142)</td>
<td>60,000</td>
<td>60,000</td>
</tr>
<tr>
<td>02 Nov (Wed)</td>
<td>0.70</td>
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<td>(57,142)</td>
<td>60,000</td>
<td>60,000</td>
</tr>
<tr>
<td>09 Nov (Wed)</td>
<td>0.75</td>
<td>Gold</td>
<td>41,000</td>
<td>57,000</td>
<td>63,000</td>
</tr>
<tr>
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<td></td>
<td></td>
<td>(54,667)</td>
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</tr>
<tr>
<td>27 Nov (Sat)</td>
<td>0.75</td>
<td>Gold</td>
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<td>57,000</td>
<td>55,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(57,333)</td>
<td>60,000</td>
<td>60,000</td>
</tr>
<tr>
<td>03 Dec (Sat)</td>
<td>0.95</td>
<td>Gold</td>
<td>44,000</td>
<td>45,000</td>
<td>43,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(46,315)</td>
<td>45,000</td>
<td>43,000</td>
</tr>
<tr>
<td>10 Dec (Sat)</td>
<td>1.00</td>
<td>Gold</td>
<td>45,000</td>
<td>48,000</td>
<td>43,000</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>(45,000)</td>
<td>48,000</td>
<td>43,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(36,000)</td>
<td>38,000</td>
<td>38,000</td>
</tr>
</tbody>
</table>

* Price in brackets is shilling equivalent, converted at the parallel exchange rate.

Income is low, usually in the rainy pre-harvest period, it is the consumer basics season, which revolves around such goods as tea, sugar and flour.

**Fluctuations in the Gold and Dollar Trade**
Table 1 shows the movement of the Ariwara gold and dollar trade between 21 September and 10 December 1988. The fluctuations in the Ariwara gold and dollar prices during this brief period were largely political rather than seasonal: delays in supply cause by the war in southern Sudan, the
temporary closing of the Uganda/Zaire border and the dramatic drop in the price of gold and dollars in Kampala. These movements illustrate some of the supply and demand forces at work in the operation of the parallel market, as well as its capacity to respond to contingencies.

Between 21 September and 1 October, the period during which the convoy from Juba was scheduled to arrive, the price of dollars rose from 24,000 to 27,000 zaires per hundred. Dollars were completely unavailable throughout the month of October. By the time the convoy arrived in early November, the dollar price had risen to 32,000 zaires, although Ugandans could make up some of the price rise by the simultaneous fall in the value of the zaire against the shilling. Dollar prices continued to rise as a result of rising dollar prices in Sudan and the increased risk of transportation through the southern Sudanese war zone. A dramatic decline in parallel dollar prices in Kampala in November virtually halted the Arua dollar trade, though businessmen who had the capital continued to buy in Ariwara and hold the dollars in expectation of 'better times'. One Arua businessman explained the drop in the Kampala price by the sudden release of foreign exchange onto the parallel market from the export of coffee.

The price of gold shows a steady rise from what was already considered by Ugandan gold traders an unprofitably high price in late September (although its parallel dollar value remains remarkably stable, at just under $310 an ounce from October onward). Under such conditions, the tactic of Ugandan businessmen is to hold back on purchases of gold in order to force a depreciation of the zaire against the shilling, thereby recouping their losses in terms of the their selling price: the shilling price of gold in Kampala. This process of deliberate depreciation had already begun in late September, and was intensified by the closing of the border by Zaire authorities in early October.

With the closing of the border, the price of foodstuffs and consumer goods in Zaire immediately skyrocketed. Within a week, the border was reopened and, according to one Ugandan businessman, Zairois officials 'practically begged' Ugandan traders to resume their normal trade links. The intensified demand for Ugandan goods, principally bicycles, fish, petrol and diesel, caused the shilling to appreciate from 0.65 to 0.75 zaires. At the 2 November market, a sudden influx of Bunia-based businessmen caused a jump in the price of gold from 37,000 to 40,000 zaires. Bunia businessmen were attracted by the low price of gold in Ariwara, compared to 45,000 zaires in Bunia. Ugandan gold buyers more than made up the rise in gold prices through the continued appreciation of the shilling against the zaire. This was caused in part by the intensified demand for foodstuffs and consumer goods, especially petrol and diesel, and in part by a fall in the Ugandan demand for gold owing to high prices in Ariwara and very low prices in Kampala from late November.

The decline in the Kampala price of gold, from 63,000/- to 43,000/- between 9 November and 3 December, was described by Ugandan businessmen as
incomprehensible, although they speculated that the explanation lay in a preference for buying dollars while the parallel price was low in Kampala. By late November, the price of gold in Ariwara and Arua was 57,000/-, 2,000/- higher than the Kampala price. The gold price continued to rise in Ariwara owing to competition from Bunia-based buyers. In Arua, the gold price rose to 48,000/- by the 10 December market, 5,000/- above the Kampala price, because Arua businessmen had diverted their trade to Nairobi, where the selling price was more profitable.

Conclusion

This study calls into question three assumptions which have distorted the study of parallel trade. The first is that activities now classified as parallel are recent phenomena which managed to emerge in fully articulated form within the space of a decade or so as a result of low producer prices, overvalued exchange rates, and, in the case of Uganda, the 1972 expulsion of the Asian commercial sector. This assumption both overestimates the ease with which long distance marketing networks can be developed and underestimates the actual sophistication and extent of parallel marketing in Uganda.

A second basic assumption is that parallel marketing outside the urban areas is centred on the smuggling of primary export crops these being the most damaging aspect of the trade from the point of view of the official economy. This approach tends to fragment the study of parallel trade, and ignores the complex and international interrelation of commodities and currencies which forms its underlying dynamic. The large and growing importance of foodstuffs, re-exported manufactured goods and subsidized commodities such as sugar and petrol in parallel trade balances is central to an understanding of the structure of the parallel currency market.

This brings us to the third assumption, that trade across borders is based on barter. Little attention is paid to the border parallel currency markets created by the parallel goods trade, which have become the central factor in parallel trade, determining the direction of parallel advantages in price. In fact, it is the official economy in Uganda that is resorting to barter and is increasingly unable to meet its obligations owing to its inability to attract barterable commodities away from the parallel market (Economic Intelligence Unit, 1984:19).

The high level of integration between parallel and informal trade constitutes a fourth area of methodological importance. The assumption that informal trade is purely internal creates an artificial distinction between informal and parallel activities — a distinction which has more to do with history and politics than with any clear discontinuities in the actual organisation of their marketing systems. The open market is as much the distributive network of parallel as of informal trade, and parallel trade functions as an extension of informal activities when prices or economic conditions are unfavourable within the official borders.
The methodological implication of these observations is that it is not possible to analyse the parallel market by means of assumptions. Its structure and origins require detailed empirical and historical analysis, unclouded by economic ideologies. It is perhaps unsurprising that the most detailed and illuminating studies on informal and parallel marketing in Africa tend to be the work of geographers, especially in the field of border studies.

The evidence presented here challenges the efficacy of structural adjustment measures, specifically their assumption that parallel trade can be stopped by correcting price distortions and shifting resources to farmers. The current resource-shifting policies of devaluation and increased taxation of traders are driving rural traders and shopkeepers in greater numbers into the parallel market, and taking export crops, food crops and manufactured goods with them. Far from reducing scarcity and inflation, these measures intensify the conditions they were designed to treat. Instead of attracting goods and foreign exchange back to the official economy, structural adjustment measures are weakening the economic position of rural traders, thereby reducing the supplementary incomes of the large percentage of small farmers who engage in trade, and increasing the incentive in rural areas to sell goods on the parallel market. The year or two required for structural adjustment measures to take effect is simply too long for people to do without basic necessities.

As traders and small farmers from the border regions siphon off foodstuffs, export crops and manufactured goods into the parallel market in an attempt to make ends meet, inflation and foreign exchange shortage are increased, further intensifying the necessity of siphoning off resources in order to meet rising costs. Even if prices and exchange rates were brought perfectly into line with supply and demand in Uganda, the impossibly low levels of real income this would create in the short run would encourage parallel trade in an effort to capture the extra income available from the higher levels of demand in Zaire and Sudan, and the evasion of Ugandan taxation.

What structural adjustment economists have failed to recognise is that the existence of a parallel market, especially a pervasive and well articulated one, creates a situation of ‘semi-monetisation’ which makes the population increasingly insensitive to inflation. Instead of curbing expenditure to match their incomes, people resort to alternative channels of obtaining the income necessary to satisfy their demands, especially where incomes are below the subsistence level as in much of Uganda. The disequilibria become institutionalised in economic behaviour and the elaboration of alternative channels rather than being merely price-based problems.

In sensivity to inflation is a classic feature of economies characterised by chronic supply-side shortage. According to the Hungarian economist J.Kornai:

*the explanation of chronic shortage ... and of the functioning of a resource-constrained system is not to be found in the financial sphere, or in special features*
of price formation, but at a deeper level, in institutional relationships and in
behavioural regularities which these institutions foster in decision makers
[1980:559].

The resource shifting intervention practised in structural adjustment only accomplishes a reallocation of shortage from one sector to another without getting at the root of the problem of shortage (Kornai, 1980:554-5). And it is shortage itself which intensifies the incentives to parallel trade, not simply a lack of resources among smallholders. The question is not simply one of devaluation or revaluation, but of the institutional relationship between the state and the market, especially in the areas of inter-regional trade, licencing and foreign exchange controls. Policy can effectively address the underlying institutional problems of shortage and redistribution only from a clearer understanding of the behavioural and economic structures of parallel and informal marketing and their relation to the sphere of agricultural production. Otherwise, redistributive policies will remain nothing more than stereotyped measures aimed at and perpetuating a hidden economy.

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Successes and Future Prospects of Sanctions Against South Africa
Joseph Hanlon

Without sanctions, Nelson Mandela would not yet be free. Without sanctions, Namibia would not yet be independent. Sanctions were not the most important reason for either event, but sanctions were crucial in providing an extra push. They sped up the events leading to the release of Mandela and the independence of Namibia. And sanctions will continue to play an important role in accelerating progress toward genuine majority rule in South Africa.

In this Briefing, I will first look in detail at sanctions and the Namibia independence process, and consider other experiences of sanctions to show why South Africa is vulnerable to them; secondly, discuss the role of sanctions, and ask how they have affected South Africa and briefly look at the impact of sanctions on the SADCC states. Finally, I will look at the role of sanctions in the coming negotiations in South Africa.

How Sanctions Helped Namibia
The 1976 Soweto uprising started a chain of events which clearly contributed to Namibian independence. The massacre of the children in Soweto led directly to the sports boycott and the compulsory arms embargo imposed by the UN Security Council in 1977. The oil embargo, imposed in 1973, was by then having an impact. South Africa was worried by these sanctions, and responded by agreeing to the independence of Namibia, under resolution 435 of 1978.

But the new Prime Minister, P.W.Botha, asked the international community for more time to resolve the problems of apartheid. The world agreed, and in the end gave him seven years. He used that time to increase repression inside the country and to launch massive destabilisation of the
neighbouring states. South Africa also blocked the independence of Namibia by spinning out negotiations on the implementation of resolution 435.

New uprisings inside South Africa in 1984 triggered new economic sanctions against the apartheid state in 1985 and 1986, particularly financial sanctions imposed by international banks and trade sanctions imposed by the United States and the Nordic countries.

By 1988 economic sanctions were beginning to bite, and the Pretoria government could no longer afford the high cost of occupying Namibia and southern Angola. By 1988, the arms embargo had also begun to take its toll. For the first time, the South Africa military found that the Angolan military was superior. The arms embargo had prevented Pretoria from obtaining modern aircraft, up to date electronics, and a new battle tank. The Angolans, with modern weapons from the USSR, were much better equipped. South Africa was losing on the battlefield, and it had several thousand white troops trapped in southern Angola.

Suffering the direct effects of economic sanctions and the arms embargo, South Africa had no choice. If was forced to talk to the Angolans and to discuss Namibian independence. Eventually, Pretoria had to agree to implement resolution 435.

Sanctions were not the only factor; Cuba, the USSR, FAPLA, SWAPO, the ANC, the mass democratic movement (MDM), and the structural decline in the South African economy all contributed. But without sanctions, the apartheid government could have continued to resist the implementation of resolution 435 for several more years. So sanctions did not act in isolation, but they played a key role in speeding up the process.

When Can Sanctions Be Effective?
Sanctions are a commonly used instrument of international relations. Often they fail, but sometimes, as we have seen with Namibia, they are successful. It is worth looking at a few other cases to draw out some of the relevant factors.

Sanctions were imposed by the United Nations against UDI in Rhodesia in 1966 and 1968. At first, they hit the economy hard. Then from 1969 to 1974, there was an economic boom, with Gross Domestic Product (GDP) per capita rising 34% in just six years. However, 1975-79 saw an even faster collapse, with GDP per capita crashing back to 1968 levels in just five years. There were a wide range of causes for this, of which several changes in the mid-1970s are worth noting. Most important, popular opposition to the government increased and Patriotic Front guerillas became much more effective, putting military and economic pressure on the government. Colonial Mozambique did not enforce sanctions, but independent Mozambique did in early 1976, which sharply reduced Rhodesia’s ability to break sanctions. Perhaps most important, South Africa had acted as a ‘big brother’ for Rhodesia, helping it break sanctions; its much larger economy allowed it to hide oil and other goods for Rhodesia in its normal
trade. This changed in the late 1970s, as South Africa decided (in part under US pressure) that a settlement in Rhodesia was essential; then South Africa stopped being 'big brother' and began to apply the UN sanctions. In his biography, the former head of security in Rhodesia, Ken Flower, quoted a memo he wrote to Cabinet in mid-1979 saying that 'with every month that goes by, sanctions become more debilitating.' Business people and others who were active inside Rhodesia at the time argue that the Ian Smith government would have continued with the war, and that it was sanctions that forced Smith to go to Lancaster House. Thus, in Zimbabwe as in Namibia, sanctions did not act alone, but they sped up the process leading to independence.

Four key issues arise out of this discussion. Two important and related political points about sanctions can be drawn from the Namibian and Rhodesian experience:

1. Sanctions are most effective when there is strong internal opposition to the government;
2. Sanctions do not work on their own, but only in association with other factors, including internal opposition.

Two economic points are also important. Clearly it is easier to sanction a small country with substantial foreign trade than it is to sanction a country like the US. Thus

3. The target country must be dependent on international trade and vulnerable to sanctions.

Finally, the Rhodesia case and the changing role of South Africa point to the importance that

4. The target country should not have a 'big brother' that can protect it from sanctions.

These points can be seen by looking at two current examples of sanctions: Cuba and Nicaragua. Both are vulnerable, so point three applies. But the Cuban government remains reasonably popular, and the USSR is prepared to be a 'big brother'. So far, then, sanctions against Cuba have failed to effect a political change. By contrast, in Nicaragua the USSR was not prepared to be big brother, while US destabilisation created a critical additional factor, which led the government to lose popularity. All four points applied, and eventually sanctions combined with destabilisation to lead to political change (this is a worrying example for Mozambique, which is subject to similar pressures).

South Africa seems vulnerable to sanctions because all four points are relevant. Clearly the government is unpopular with the majority. The additional factors of point two include internal political pressures, failed foreign adventures, and an economy already declining for structural reasons related to the inefficiencies of apartheid. South Africa is unusually dependent on foreign trade and a significant portion of that trade is
vulnerable to sanctions. Finally, no country will serve as big brother; even taken together, Israel, Taiwan, and South Korea are not big enough to become major sanctions busting channels.

Why Sanctions? A Hierarchy of Goals
Sanctions are not a moral issue, nor are they intended to punish white South Africans. Rather, sanctions are a practical tool intended to apply pressure leading to change in South Africa. The overriding goal is to assist the transformation to majority rule in a democratic, unitary state, and to assist the redressing of some of the economic inequalities. In practice, then:

> sanctions are a diplomatic tool to assist in the transfer of wealth and power from the minority to the majority.

This is the overriding political goal. But few people give up wealth or power voluntarily. And for many white South Africans, apartheid still ensures a comfortable life style with servants, a swimming pool, and so on. The Roman Catholic Archbishop of Durban, Denis Hurley, supports sanctions because ‘much stronger pressure is required — pressure that will cause real discomfort to the white community to make it realise that it cannot continue’ with apartheid.

Nevertheless, the actions and statements in the last year of a wide range of people — ranging from President de Klerk to the Broederbond to businessmen — have shown that there is a growing group who realise that change is inevitable and essential. Many now accept that there must be negotiations with the majority. Few, however, are ready for a handover of power; most still hope for some form of neo-apartheid which maintains white control.

This leads to a definition of the strategic goal:

- sanctions are intended to create real discomfort to the white community;
- to create a growing group which accepts the need for genuine negotiations;
- to convince that group that a transfer of power is necessary.

But how is this to be accomplished? The Commonwealth sanctions study concluded that there are four tactical or practical objectives of sanctions. The first two are economic; the other two are social and political:

- The denial of essential goods, such as arms and oil;
- The acceleration of the general economic strain;
- The battering of white morale;
- The encouragement of those who are struggling to end apartheid.

All four aspects are intimately related. For example, economic strain hits white morale, and so on.
The sports boycott is one of the most successful of the social or political sanctions. The rebel cricket tour in February 1990 showed the importance of the sports boycott; white sports fans were desperate to break the boycott, while anti-apartheid activists thought the boycott important enough that they mounted demonstrations against the tour throughout the country.

Most economic sanctions impose a strain on the economy by denying money to South Africa, or by forcing it to spend unnecessary money. This means that South Africa has less money with which to import necessary goods. There are three groups of economic sanctions. First, financial sanctions, such as those banning new loans, directly curb the flow of funds to South Africa. Second are bans on the purchase of South Africa products such as steel and fruit, which means South Africa earns less from its exports. Third are sanctions which cost the country money. For example, the oil embargo has failed to deny South Africa oil, but the apartheid state spends at least $2 billion per year to break the embargo, which makes the oil embargo a successful financial sanction. Similarly, breaking the arms embargo has proved to be very expensive.

The History of Sanctions

In 1946, India became the first country to impose a comprehensive ban on trade with South Africa, cutting off 5% of total Indian foreign trade. As other countries became independent, they, too, ended trade with apartheid. The Nobel Prize winner and ANC leader, Chief Albert Luthuli, called for international sanctions in 1960. South Africa was forced to leave the Commonwealth in 1961. In 1964 Japan banned investment in South Africa. The late 1960s and early 1970s brought voluntary arms, oil, sport, and cultural embargoes, and these were widely adopted in the late 1970s. By the beginning of the 1980s, sanctions had created a sense of political isolation on the part of the white minority, and were beginning to have significant economic effects.

The township uprisings of 1984 and the resulting repression was shown on TV screens worldwide, and prompted an uncoordinated wave of sanctions. During the 1985-87 period, most countries and group imposed at least two sets of sanctions. The Nordic states banned nearly all trade with South Africa. The US Comprehensive Anti-Apartheid Act cut US trade with South Africa by $1.5 bn per year. Various countries banned the import of individual products — Ireland banned South African fruit, France banned South African coal, etc. The Commonwealth (except Britain) banned the import of coal, steel, and agricultural products. The European Community banned the import of steel. Existing arms, oil and cultural bans were tightened. Diplomatic links were reduced. Several countries including the US cut direct air links with South Africa.

International banks refused to make new loans, and also refused to roll over (renew) old loans, leading to South Africa defaulting and refusing to pay its debts (which were subsequently rescheduled). The banks acted partly out of fear that the economic crisis meant South Africa could not
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repay. But probably more important was public pressure, particularly in the US, which meant that an increasing number of individuals and local governments were refusing to use banks that made loans to South Africa.

The impact of the 1985-87 economic sanctions was impressive. Total South African trade was cut by 7%. South Africa was forced to sell its coal at $5 per tonne less than the world market price. Financial sanctions and disinvestment cut off all new money, and South Africa has been forced to allow $3 billion per year to leave the country in loan and other payments.

Transnational companies (TNCs) active in South Africa came under heavy pressure. Many countries prohibited new investment in South Africa; some countries withdrew double taxation agreements, which had the effect of reducing profits from South African subsidiaries. TNCs also came under heavy public pressure in the form of: 1) consumer boycotts, for example against Barclays Bank in Britain; 2) laws preventing local governments in New York, San Francisco, and elsewhere from buying goods from companies with South Africa links; and 3) regulations preventing pension and other funds from holding shares in South Africa-linked companies. More than 300 companies 'disinvested': that is, they sold or closed their South African subsidiaries; most, however, continued to maintain some economic links, often still supplying their former subsidiary. The terminology is confusing. In the US and South Africa, 'disinvestment' means a company selling its South African subsidiary, while 'divestment' means a shareholder, such as a pension fund, selling their shares in a South Africa-linked company as a way of putting pressure on that company to 'disinvest'. In the UK, however, 'disinvestment' means a shareholder selling shares, while a company 'withdraws' from South Africa. I have used 'disinvestment' here in the US and South Africa sense.

How Successful Were Sanctions?

Clearly, sanctions have not achieved their overriding political goal — a transfer of power. On the other hand, it is equally clear that they have achieved the more narrow practical objectives. The arms embargo has been partly successful in stopping the South African military from modernising. And sanctions have hit white morale while boosting the morale of the anti-apartheid forces within South Africa.

Perhaps most dramatically, sanctions have weakened the South African economy. It is important not to attribute too much to sanctions, however. The South African economy has been in deep decline since the mid-1970s, in large part due to the inefficiencies imposed by apartheid. Indeed, South Africa’s own capitalists lost faith in their economy long before western TNCs began to pull out. Some of the biggest and earliest disinvestors were the South African monopoly groups, notably Anglo American and Rembrandt. During the 1980s, investment has been less than that necessary to replace equipment wearing out, employment in the productive sectors has fallen, and GDP per capita has decreased.
As we noted earlier, sanctions work in tandem with many other factors. In the case of South Africa, economic sanctions have been effective precisely because of the underlying structural weakness of the economy. Thus the oil embargo and other sanctions can be given only a small part of the credit for the economic decline of the early 1980s, while sanctions probably play a dominant role in the economic crisis of the late 1980s.

Even two years ago, critics of sanctions could still doubt their impact. For example, it was claimed that a major Economist Intelligence Unit study showed that ‘trade and other sanctions adopted so far will not have a immediately dramatic effect on the South African economy.’ Few would make that claim now.

The South African Trust Bank, for example, reports that the direct foreign exchange cost of sanctions has been more than $15 billion; taking account of indirect effects, the total cost to the economy of sanctions since 1985 has been $40 billion. Real consumer spending is 15% lower than it would have been without sanctions.

The National Party in its manifesto for the 6 September 1989 elections admitted that ‘boycotts, sanctions, and disinvestment have strained the economy of the country and of every business and household.’ The South African Broadcasting Corporation in a ‘Comment’ on 6 November 1989 said: ‘The starting point is to acknowledge that sanctions have had an influence — and a serious influence — on the national economy.’

Trust Bank, Nedbank, and others say that the South African economy has entered a recession which will continue until at least late 1991. According to the US Treasury Department spokesman, R.Richard Newcomb, ‘the economic contraction [South Africa] is currently facing [is] largely as a result of sanctions now in effect.’ But even if sanctions have demonstrably had practical economic effects, have they had any political impact? Have they achieved their strategic goals of building a group pressing for genuine negotiations. Several years ago, a critic of sanctions argued that sanctions increase polarization, provoke resentment and confusion, were unlikely to bring about political change, were ‘more likely to impede rather than to accelerate reform,’ and would actually ‘reduce the chances of an evolutionary route to a post-apartheid South Africa’.

That, too, has proved unduly pessimistic. In the first report to Congress on sanctions by the new US President, the George Bush administration reported that ‘existing pressures, including market forces and other sanctions, have played a role in helping to convince the South African government that it must move beyond its current position and accept change’ (Report to the Congress Pursuant to Section 501 of the Comprehensive Anti-Apartheid Act of 1986). In an interview in Southscan of 19 January 1990, Herman Cohen, the new US Assistance Secretary of State for Africa, agreed that sanctions ‘have served their purpose in bringing about a change in thinking’. That is exactly the goal which proponents of sanctions set — and it is exactly what the critics said would not happen.
Some early opponents of sanctions have changed their views. William Claiborne, the South Africa correspondent for the *Washington Post* from 1986 said

*I was skeptical about sanctions ... for a good part of my tour in South Africa. I was wrong ... Sanctions are beginning to work, finally* (International Herald Tribune, Paris, 24 January 1990).

**Who is Hurt?**

The British Deputy Foreign Secretary, Lynda Chalker, spoke for many opponents of sanctions when she said they would ‘harm the very people we wish to help’. Moses Mayekiso, general secretary of the National Union of Metalworkers and a Cosatu executive member, says simply: ‘Sanction hurt, but apartheid kills.’ And he adds: ‘We supported such sanctions not because we wanted to devastate the economy, but because we believed that an international decision in this direction would break the political log jam.’

Nor are black South Africa prepared to let up yet. According to Mayekiso, ‘Now is the time to intensify sanctions to cut short the social and economy agony of apartheid.’ The Conference for a Democratic Future on 9-10 December 1989 was the probably the most broadly representative meeting ever of the majority of South Africans. One of its resolutions expressed the need ‘to combat the false illusion that pressure should be eased on the apartheid regime’, and instead called for ‘mandatory and comprehensive sanctions’, and for stricter enforcement of existing sanctions.

So the majority inside South Africa has overwhelmingly rejected the paternalistic view of opponents of sanctions that they should not be used because they will harm black people. Just as critics warn that black South Africans will suffer, so they allege that SADCC will suffer and that this is another reason for not imposing sanctions against South Africa.

To look at the impact on SADCC, it is useful to make three kinds of distinctions. First, who is imposing sanctions? No one has asked the SADCC states to impose sanctions, so we should only consider sanctions being imposed by the industrialised countries. Second, we should separate the various kinds of sanctions that have been, or are likely to be, imposed: 1) cultural, sport, diplomatic, and air links; 2) bans on sales of arms, high technology, etc. to South Africa; 3) financial; 4) bans on purchases of South African coal, fruit, etc. and 5) disinvestment. Third, it is also sometimes useful to look separately at the four small countries which are members of a Customs Union with South Africa: Botswana, Lesotho, Namibia, and Swaziland (BLNS).

Cultural and similar boycotts against South Africa have directly benefited the neighbouring states. Performers have gone to Zimbabwe, Swaziland, and other SADCC states instead of South Africa. Cutting air links with South Africa has resulted in more direct air links to the SADCC states. Bans on sales to South Africa have weakened the South African military machine. They have also weakened South African industry, and in some
cases forced SADCC states to look elsewhere for service, for example of computers — but this is a benefit because it is a SADCC goal to reduce dependence on South Africa.

Financial sanctions have weakened South Africa and have clearly benefited Angola and Namibia. Lesotho and Swaziland have been somewhat harmed because they have inherited South African inflation. Zimbabwe has lost some of its exports to South Africa, but may have suffered less destabilisation.

Bans on purchases from South Africa have benefited several SADCC states such as Swaziland, which have been able to export more citrus fruit and flowers. Several SADCC mining projects are now being investigated to replace South African supplies. There had been misplaced fears that migrant labourers from SADCC states might lose their jobs, but nearly all SADCC migrants work in gold and platinum mines which are unlikely to be subject to sanctions.

So far, disinvestment has done little harm to SADCC states, and has benefited BLNS because firms have moved to them from South Africa. On balance, then, sanctions already imposed on South Africa or likely to be imposed can only be helpful to the SADCC states and not do them harm. Of course, South Africa may retaliate by stepping up destabilisation. But the answer is surely to further increase arms and other sanctions, to make it more difficult for the South African military.

For Mozambique, the benefit of sanctions is obvious. If sanctions work to end destabilisation, then the cost of the sanctions will be tiny compared to the cost of destabilisation: nearly one million dead and $15 billion on lost GDP.

Lift Sanctions Now?
The election in 1989 of F.W. de Klerk as the new white president did mark a significant shift. He committed the white minority to negotiations with the black majority, and in February 1990 he moved more quickly than expected to free Nelson Mandela and unban a wide range of organisations and individuals.

The critics of sanctions, who had once said sanctions were ineffective and could not work, now pressed for an early lifting of those sanctions as a reward to de Klerk. The British Prime Minister, Margaret Thatcher, unilaterally lifted Britain's 'voluntary' bans on new investment and trade and tourism promotion. But after his release from prison, Nelson Mandela repeatedly called for tougher sanctions and for countries to cut off diplomatic links with the apartheid state. Harsher sanctions were needed; de Klerk deserved no rewards for what little he had done.

Mrs Thatcher pleaded with other world leaders to withdraw sanctions, but they refused. She personally telephoned the new Japanese Prime Minister, Toshiku Kaifu, and asked him to lift sanctions. But he refused, preferring to follow the more cautious US policy.
The question about lifting sanctions really revolves around the original political goal: Have we reached the stage where the transfer of wealth and power to the majority is taking place? Clearly not. At the time this is being written (March 1990), all of the pillars of apartheid remain in place: the Population Registration Act, the Land Act, the Internal Security Act, and so on. Political, economic, military, and police power all still rest firmly in the hands of the white minority.

In March 1990 a British diplomat with extensive experience of South Africa said that although most whites now accepted the idea of negotiation with the black majority, it was obvious to him that most whites — including the government — believed that negotiation would lead to some form of 'power sharing' and not to the transfer of power to the majority.

This was confirmed by Dr Gerrit Viljoen, who is one of the key strategists for the government side in negotiations. He said that one-person-one-vote in a unitary state, as demanded by the ANC, 'would be suicidal'. And he went on to say flatly that 'we won't accept ... a new constitution in which there is a simple majority on a common voters' register.'

The National Party had already made this clear. In its 1989 election manifesto, it stressed that it was only to ‘negotiate to seek agreement among leaders on [a] basis on which groups may be defined for political participation' and ‘to find a mutually acceptable basis for maintenance of own community life, own residential areas and own schools’. And the Broederbond in its 1989 document on 'basic constitutional conditions for the survival of the Afrikaner' stressed that ‘it is necessary that the individual and group rights of each South African citizen be protected’ and that power must be exercised through ‘component units’ (basically racial or ethnic groups) which will have a veto — thus ensuring continued white power.

Thus it is fair to say that although we have moved a long way toward the intermediate strategic goal of building a group pressing for negotiation, we have still not come close to the final political goal of a handover of power.

What is the Future Role of Sanctions?
The ultimate political goal of sanctions remains the same, and in the short term their role remains the same: as a diplomatic and economic weapon to help to press the white minority into genuine negotiations about a transfer of wealth and power.

The first step is to ensure genuine talks. After publicly agreeing to Namibian independence in 1978, South Africa then spun out the talks over a decade before it finally said it would implement its 1978 pledge. The present government might choose to spin out the process into the next century, using delaying tactics to avoid the basic constitutional negotiations.
If and when such negotiations begin, however, the role of sanctions changes. It seems clear that neither side will make major concessions before formal negotiations begin. In particular de Klerk probably will not unilaterally abolish apartheid legislation such as the Population Registration Act. Rather, he will put it on the table as something to be negotiated over. Similarly, international sanctions will become a subject of negotiation — probably to be traded for concessions from the government side in the talks.

There are two scenarios. The first is the one followed in Zimbabwe and Namibia, which was that the liberation movements successfully demanded that international sanctions be kept in place until an agreement had been reached and a transfer of power assured. In that situation, sanctions in the end become one of the weapons which ensure that the transfer of power does take place.

An alternative scenario is that the majority chooses to trade sanctions for immediate concessions. Thus at some stage in the formal negotiations, one might see a joint statement by all sides saying, perhaps, that the Population Registration Act was to be removed and all parties requested that sanctions against South African coal be lifted. This is, of course, extremely hypothetical.

But in either scenario, a decision on lifting sanctions is a choice of which side to support in the negotiations. An early lifting of any sanctions will be a form of support for the white minority; retaining sanctions supports the majority.

Legislation in many countries is quite vague as to when sanctions should be lifted. The US Comprehensive Anti-Apartheid Act says, in effect, that the sanctions can be if either South Africa repeals the Group Areas and Population Registration acts or enters into 'good faith negotiations'.

The Commonwealth at its Kuala Lumpur summit in October 1989 declared that 'the only justification for sanctions against South Africa was the pressure they created for fundamental political change. Their purpose was not punitive, but to abolish apartheid by bringing Pretoria to the negotiating table and keeping it there until change is irrevocably secured.' Thus 'relaxation of existing sanctions ... would have to await evidence of clear and irreversible change'.

At its special session on South Africa in December 1989, the UN General Assembly adopted by consensus a resolution demanding that 'the international community does not relax existing measures ... until there is clear evidence of profound and irreversible change.' And it said that 'good faith' negotiations required 'agreement on the mechanism of drawing up a new constitution' and 'agreed transitional arrangements'. As a consensus resolution, this is the view of all world powers, including the US and UK.

In terms of US legislation, this gives a definition of 'good faith' negotiations. The UN has declared that sanctions cannot be lifted until there is evidence of irreversible change. So long as the South African
government retains all economic and military power, all change is reversible. Thus constitutional negotiations need to be far advanced before it is even possible to discuss evidence of irreversible change.

Conclusion
Sanctions have played a major part in the independence of Namibia and in forcing the minority government to consider negotiations in South Africa itself. But the government is still far away from good faith negotiations leading to a transfer of power. Sanctions remain a major diplomatic and economic weapon in the hands of the majority — to help to ensure that genuine negotiation actually takes place, to strengthen the hand of the majority during that negotiation, and to provide an additional guarantee for the agreed transfer of power. To weaken sanctions now is to take that weapon away from the majority. Indeed, the best way to support the majority now would be to heed the call of Nelson Mandela, and pass legislation calling for new sanctions which could be imposed if the negotiating process falters.

Joseph Hanlon was the coordinator of the Commonwealth Independent Expert Study on Sanctions Against South Africa

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See also, articles in the Shipping Research Bureau (Amsterdam), Oil to Apartheid; the ‘Guide to the Economy’ published regularly by Nedbank in Johannesburg, and the Economist Intelligence Unit Country Reports on South Africa; ‘Econovision’, Trust Bank, Johannesburg,

David Seddon

In May 1987, the International Monetary Fund agreed to assist Egypt to break out of the ‘debt trap’ in which it had become increasingly enmeshed over the preceding decade. Since the ‘bread riots’ of 1977 — which erupted when the price of basic goods, including bread, was increased as part of government measures to bring public expenditure under control — the Egyptian government has been extremely cautious of provoking popular protest and political unrest through the introduction of drastic austerity measures, and it approached the IMF proposals with care. The 1987 IMF agreement, which led to a rescheduling by the ‘Paris Club’ of creditor states of some $8 billion of government and government-guaranteed debt out of Egypt’s total foreign debts of around $45 billion, provided some breathing space on the external front. But the Egyptian government proved
government retains all economic and military power, all change is reversible. Thus constitutional negotiations need to be far advanced before it is even possible to discuss evidence of irreversible change.

**Conclusion**

Sanctions have played a major part in the independence of Namibia and in forcing the minority government to consider negotiations in South Africa itself. But the government is still far away from good faith negotiations leading to a transfer of power. Sanctions remain a major diplomatic and economic weapon in the hands of the majority — to help to ensure that genuine negotiation actually takes place, to strengthen the hand of the majority during that negotiation, and to provide an additional guarantee for the agreed transfer of power. To weaken sanctions now is to take that weapon away from the majority. Indeed, the best way to support the majority now would be to heed the call of Nelson Mandela, and pass legislation calling for new sanctions which could be imposed if the negotiating process falters.

*Joseph Hanlon* was the coordinator of the Commonwealth Independent Expert Study on Sanctions Against South Africa

**Bibliographic Note**


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unable to adhere to the terms of the IMF 'reform' programme laid down as a condition for the agreement, mainly out of concern for the domestic repercussions. The programme collapsed in late 1987 after half of the agreed $325 million in balance of payments support had been disbursed.

The year of discussions which followed with the IMF on a replacement agreement proved inconclusive and by autumn 1988, President Mubarak was becoming desperate. He had always maintained that the IMF's pressure to slash the budget deficit by reducing public expenditure, cutting subsidies and raising prices risked social upheaval. 'We need economic reform', Mr Mubarak admitted to a rally in the Nile Delta early in September 1988, 'but I've told the IMF that this reform must be in line with our social and economic situation and the standard of living'. He publicly likened the IMF to an unqualified doctor who prescribes life-threatening dosages of medicine. He was speaking against a background of increasing economic pressure including a serious balance of payments situation, a reduction in the flow of credit and a much tougher line being adopted by foreign lending institutions and governments with regard to what credit was provided. Egypt was able to reduce its balance of payments deficit on the current account in 1987-88 to below $1 billion (it was $1.3 billion in 1986-87) only by squeezing imports to the point where industrial activity was being curtailed. Given Egypt's massive food imports, rising commodity prices, including food prices on the world market have increased pressure on the balance of payments.

**International Pressure**

Towards the end of 1988, the World Bank was delaying the disbursement of some $250 million in soft loans in support of 'structural reform', pending Egypt's agreement to raise heavily-subsidised energy prices by 30-40% immediately with the aim of achieving parity with world prices over seven years. The US Agency for International Development (USAID) was also withholding $330 million in assistance for power projects while Egypt struggled with the political implications of higher energy prices. Further indications of US pressure to induce the 'economic reforms' demanded by the IMF included the vote in the African Development Bank in August 1988 on providing Egypt with a $290 million loan for power station development; the US was the sole dissenting voice.

The United States were not the only ones putting on the pressure; the Australian government decided towards the end of 1988 to phase out credit sales of wheat to Egypt by 1992, following the example set by Canada, another major wheat supplier. Australia had been selling wheat to Egypt on three-year credit terms for the previous 15 years, but was now insisting that the large Egyptian wheat debt be substantially reduced over a maximum of four to five years. Under a five year agreement running to the end of 1989, Australia had undertaken to provide Egypt with 10 million tonnes of grain, with a minimum commitment of 1.5 million tonnes annually. About $350 million of Egyptian debt to Australia — most of it
to the Australian Wheat Board — was included in the first Paris Club rescheduling concluded in May 1987.

**Rescheduling Agreements**

Australia was anxious to reduce as quickly as possible its exposure to Egypt which had in effect ceased making payments to most of its international creditors, pending a second rescheduling of part of its foreign debt. The rescheduling, however, depended on a new agreement being concluded between Egypt and the IMF. Egypt's sources of commercial credit were also being squeezed. Massive arrears had built up on supplier’s credits, and one large European bank reported that Egypt had in fact stopped meeting its obligations to its suppliers’ credits in November 1985. Western bankers had become extremely wary of financing trade on credit that required a central bank guarantee of payment; examples had multiplied of large Egyptian public sector banks facing difficulties in securing funds from the central bank hard currency pool to honour commitments to foreign banks. By the end of 1988 very few Western European countries were continuing to cover new business with Egypt, and then only under tight restrictions. The UK, for example, which had reached an agreement in principle with Egypt in June 1988, was awaiting an agreement on rescheduling to review its credit arrangements.

Mr Mubarak visited Europe towards the end of September 1988 to seek pledges of assistance for his continuing struggle with the IMF. A matter of particular concern was the possibility that unless a second rescheduling was agreed and in progress, in July 1989 Egypt would be obliged to resume paying big instalments on its military debt also. In fact, by November 1988, US officials were voicing disquiet about the continuing lack of progress in the negotiations between Egypt and the IMF because of fears that further delay might preclude a second orderly debt rescheduling before Egypt was due to resume repayments on the $5 billion loaned for US military equipment purchases. July 15th 1989 was the date by which Egypt would, in principle, have to resume military debt repayments (assuming no agreement on rescheduling), if it were to avoid the consequences of the 'Brooke amendment', which makes it mandatory for almost all US assistance — civil and military — to be suspended if a debtor falls more than 12 months behind on military debt repayments. Egyptian officials indicated that they were all too well aware of their obligations, but there was considerable concern that, in the absence of a rescheduling agreement, repayments on the US military debt would prove too much for the Egyptian economy. Principal and interest payments would amount to around $700 million in US fiscal 1989-90. If US civil and military assistance to Egypt — totalling about $2.3 billion annually — were withheld, a major political and economic crisis could be anticipated.

An IMF technical team visited Cairo early in November, but there were few signs of progress by early 1989; agreement with the IMF remained a prerequisite for a rescheduling by the Paris Club. The Egyptian-born director of the IMF Middle East department, Dr Shakour Sha’lan, was
highly critical of Egypt's approach to the recommended 'economic reforms'; 'Egypt is like an employee who earns £100 a month but spends £122', he declared in an interview with the Cairo daily *Al Ahram*. He urged quicker action to reduce subsidies and the budget deficit, and predicted that Egypt's balance of payments shortfall would rise to $1.5 billion in 1988-89.

**'State of Emergency' Continues**

Egyptian government officials, however, shared President Mubarak's concern that rapid and drastic cuts in subsidies would lead to social unrest in response to the increases in the cost of living that would certainly result. They pointed to the fact that prices had already risen some 30 per cent during 1988 and that signs of social unrest were growing. There had been serious rioting in the Cairo suburb of Ain Shams in August 1988, and further disturbances broke out again in December, associated with increasing public concern over the prevailing economic situation. The government had introduced certain 'austerity measures' in October, aimed particularly at conserving scarce foreign exchange; but these measures, which included restrictions on foreign travel by officials, were largely symbolic. In a context where an estimated 40 per cent of the population live on or below the poverty line, and at a time when price rises of around 30 per cent had been experienced over the previous year, rapid cuts in subsidies on basic commodities (such as food and energy) evidently risked major demonstrations of popular protest. Government officials were quite explicit that fears of social unrest explained the government's reluctance to embark on drastic reforms of the pricing system. Earlier in 1988, the state of emergency, which had been almost continuously in force in Egypt since 1981 with the assassination of President Sadat, had been extended for a further three years (beginning 1 May) ostensibly to control 'terrorism' but in fact to enable the state to stifle criticism or opposition to the government and its policies.

Pressure from outside, however, was also increasing. In March 1989, a spokesman for the US State Department confirmed that a total of $230 million worth of US aid over two years had been withheld from Egypt until the latter undertook 'significant economic reforms which are additional to those which were undertaken in previous fiscal years'. He denied that any link existed between the release of US aid and Egypt reaching agreement with the IMF. Formal negotiations between the Egyptian government and the IMF were restarted in April.

**Rise of Interest Rates**

At the end of April, officials at the central bank of Egypt confirmed remarks made earlier by the prime minister, Dr 'Atif Sidqi, to the effect that interest rates were to be increased in the near future. The issue of domestic interest rates was a key point of disagreement between the Egyptian government and the IMF, with the latter insisting on positive real interest rates — equivalent to nominal rates in the region of 25% — and the Egyptian
government refusing such a drastic realignment because of the short-term impact on the cost of living. In January 1989, a senior government official was quoted as putting the Egyptian target increase in the range of 1-2% above the current 13-14% level. The rates actually introduced in mid-May 1989 had the effect of marginally increasing the cost of local funds without meeting the IMF’s demand for positive real interest rates; in fact the new structure in some cases went no further than returning rates to their 1981-82 levels (e.g. short-term lending to industry and agriculture, which have access to the cheapest source of funds). The IMF was not pleased at this evident unwillingness to ‘make a serious commitment’ to the introduction of positive real interest rates.

In June, however, although inflation was officially estimated at 25.2% during the fiscal year 1988-89, disagreements over interest rates were pushed into the background by differences over the size of the budget deficit for 1989-90. The government’s draft proposals for the 1989-90 fiscal year envisaged a deficit of E£6.9 billion, down appreciably from the previous year’s planned deficit of E£7.2 billion. The minister of finance, Dr Muhammad Razzaz, even suggested that, with ‘further belt-tightening measures’ to be implemented during the coming year under the terms of the country’s plan for economic reform, the 1989-90 deficit could be further cut to E£4.89 billion. This, however, fell well short of the IMF’s envisaged E£2 billion or less. Already, planned government expenditure (in the draft budget) was down by some 10% in real terms (assuming a 30% inflation rate in the coming year), with the axe falling hardest on salaries and subsidies, while a 24% increase in total revenues was planned, based on income from taxes on cigarettes and other consumption items, higher petroleum product prices, and the devaluation of the rate of exchange used by the customs service for the purpose of calculating import duties. Even so, the overall increase in revenue failed to keep pace with the estimated rate of inflation (ca.30% and rising).

**Economic Reform**
The round of talks between the Egyptian government and the IMF, which ended on 30 June 1989, however, seemed to have improved the prospects of reaching an accord on the rescheduling of Egypt’s $45-50 billion foreign debt. According to Dr Shakur Sha’lan, the head of the IMF Middle East Department, the Egyptians appeared now ‘to be serious in their attempt to press on with their economic reforms, although differences with the IMF persisted over exchange rates and interest rate policies’. Dr Sha’lan stated that Egypt might reach an agreement soon and that this could pave the way for the release of new credits and a rescheduling of up to $10 billion. He estimated total arrears from July 1988, together with the amounts scheduled to fall due in the next 18 months, at $10 billion. But by early July the IMF had yet to agree on the amount of ‘Stand By’ credit to be provided for Egypt.

In its negotiations with the Egyptian government during the early part of the summer, the IMF maintained its insistence on far-reaching reforms.
under the conditionality clauses of its ‘Stand By’ loan facilities. By the middle of the summer, the economic situation had grown very serious indeed, with a total of $1.8 billion being paid in interest and principal repayments on its foreign debt during the fiscal year 1988-89. In July the Egyptian parliament — the People’s Assembly — approved a new investment law designed to encourage foreign and domestic investments in the private sector by offering tax holidays and simplifying administrative procedures. The new law, Law 230/89, which replaced Law 43 of 1974 for the investment of Arab and foreign capital, granted the Egyptian investor the same privileges enjoyed by Arab and foreign investors. With regard to foreign capital investment projects, however, the law provided for the repatriation of profits and capital at the most favourable exchange rates. It seemed as though Egypt was, under duress, about to introduce a programme of economic reform, encouraging foreign investment and private enterprise, reducing public expenditure and cutting subsidies, but without financial support from the IMF. At the same time within the country strikes in a number of sectors, notably by the steel workers, were followed by large scale arrests.

By early September 1989, despite several months of negotiations, no firm agreement had been reached with the IMF. The ill-health of prime minister 'Atif Sidqi, who underwent heart surgery in the US in August, did not help accelerate progress. In his absence, the Egyptian government hesitated to introduce a new exchange rate for government accounting that would have ‘rationalised’ the subsidies on basic foods which accounted for a quarter of the state budget. In the meanwhile, between early August and early September, over a thousand people had been arrested and held under Egypt’s emergency laws.

By late September 1989 it was reported that ‘Egypt and the IMF have narrowed differences over an economic reform package after having reached broad agreement on the budget deficit, but difficulties remain over interest and exchange rate policy’ (Financial Times, 21 September 1989). An official involved in the continuing negotiations stated that agreement could be reached in Washington during the IMF’s annual meeting. It was reported that Egypt had agreed to reduce its budget deficit in 1989-90 to between £E3 billion — £E4 billion which would mark a significant reduction from the projected deficit of £E4.9 billion. The IMF had long sought an Egyptian undertaking to do away with its low official rate of exchange. The current official rate stood at £E1.10 to the US dollar compared with the commercial rate of £E2.56. The pressure resulting from the ‘Brooke amendment’, it seemed, had obliged Egypt to come to terms. Western officials expressed the view that Egypt and the IMF were ‘moving towards an agreement’ that would allow a second Paris Club rescheduling of part of the country’s US $45-50 billion foreign debt. However, even if Egypt agreed to sign a Letter of Intent, it seemed unlikely that a new IMF agreement could be concluded much before November 1989. In the meanwhile, the prospects of social and political unrest were increasing. At the beginning of October the Egyptian government eventually
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submitted a new Letter of Intent, to coincide with President Mubarak's visit to Washington; this precipitated a decision by the World Bank/IMF team to visit Cairo immediately to initiate a new round of negotiations. Once again, Egypt appeared to be on the brink of agreement with the IMF.

According to reports in the Cairo weekly *Al Ahali*, the Egyptian government committed itself in the 'Letter of Intent' to far-reaching reforms, including cuts in subsidies, price increases, economic liberalisation and privatisation. As regards the highly sensitive issue of food subsidies, the Letter of Intent says that total food subsidies are now only 35 per cent of their 1986-87 level, but the government is committed to removing all remaining subsidies, with the exception of goods sold by ration cards, by 1991-92. The ration card system is limited to rice, sugar, tea and cooking oil, and the volumes sold through this system would be successively reduced over three years, ending in 1993-94. Beginning in 1991-92 a new bread loaf priced at 10 piastres (compared with the current standard loaf at 5 piastres and a special subsidised loaf at 2 piastres with limited distribution) would be available and would be sold in hotels and in certain districts. The subsidy on western-style bread, which amounts to 25 per cent of the wheat cost, would be phased out after two years. Price increases would not be limited to food. According to the 'Letter of Intent', there would be increases in the range of 30-100 per cent on agricultural land taxes, railway fares, postage, car insurance rates and land transfer fees. Energy prices would continue to be increased by 30 per cent annually until 1994-95 and prices of agricultural inputs would be increased to match the price of imports.

A major cause of higher prices would be the restructuring of Egypt's exchange rate system. Before the end of FY 1989-90, the government would allow free market foreign exchange resources to be used for all foreign travel. The Central Bank Pool rate of US $1 = EE0.70 has already been devalued to EE1.10, and within three years this rate would be abolished altogether and merged into the free market rate. The exchange rate used for customs transactions, which has in the past lagged behind the free market rate and which currently stands at US $1 = 1.89, would move to the free market rate (currently EE2.57). The principal difference with the IMF here is that the IMF has expressed a wish to see the abolition of the Central Bank rate within 18 months. As regards interest rates, the government was considering a further 4 per cent increase in deposit rates following a rise of 2 per cent in 1989. This would be still well short of the IMF's demand, which is that interest rates should be higher than the rate of inflation, now running at an unofficial rate of 35 per cent annually.

Extensive reform of the public sector is envisaged in the 'Letter of Intent'. The government would reduce its stake in joint ventures with the private sector so that these would be effectively privatised, and some small-scale public sector enterprises would also be privatised. In conjunction with USAID, 65 public sector industries have been identified as 'suitable candidates' for an employee ownership programme. In addition, the
'Letter' points out that the enactment of Law 230/89 (in July 1989) has greatly increased the incentives for private foreign and local investment by allowing tax relief for 5-10 years, low rent and a 5 per cent standard customs tariff on imported capital goods. The Law also gives full freedom of pricing and guarantees profit and capital repatriation.

The 'Letter' reports that steps already taken by the Egyptian government have reduced the budget deficit by £3 billion per annum.

This would increase to £4 billion as a result of the policies envisaged in the 'Letter'. The government's target would be to reduce the size of the budget deficit to the equivalent of 4-7 per cent of GDP by the end of 1994-95. Agreement between the Egyptian government and the IMF would permit the rescheduling of some US $4 billion worth of debt falling due between July 1988 and December 1989 under the auspices of the Paris Club. Another element of Egypt's debt restructuring policy became apparent in late 1989 with the emergence of a secondary market in supplier credits. Egypt has some US $1.5 billion worth of such credits outstanding, and being unable to service them, its access to new credits has been severely restricted. However, the government now envisaged permitting the retirement of such debt at a discount of up to 40 per cent, but using the current free market rate of US $1 = £2.57, rather than the old rates of US $1 = £0.70 to £1.35 under which most of the loans were negotiated. This debt conversion programme, which has become common practice among the principal debtor countries, is being permitted in Egypt in cases where it will enable new investment finance or increase the capital of existing firms, to finance new exports outside the traditional sectors or to finance foreign companies' local operating expenses. A third element of the debt policy would be recourse to new money. The government estimated that it would require fresh annual foreign aid of £1 billion over the next three years in order to finance its development programme.

Agreement to the 'Letter of Intent' by the IMF was required in order to clear the decks for the rescheduling of Egypt's foreign debt to official creditors under the aegis of the Club of Paris. Agreement would also permit the World Bank to move ahead with a planned loan of US $300 million to be used as balance of payments support. The response to Egypt's new commitment to economic reform by the United States and the World Bank was positive. The World Bank promised a loan of $165 million to the energy sector, and suggested that Egypt might also be eligible for up to $300 million in structural adjustment loans and $400 million in sectoral loans for debt-ridden state industries. USAID announced its willingness to unblock $230 million in aid funds, frozen because of the slow pace of reform. The Pentagon also deferred the payment, due in June 1989, on Egypt's huge military debt until November to help Egypt comply with the 'Brooke Amendment'. Early in November 1989, the US Department of Agriculture made a new offer of subsidised wheat flour to Egypt amounting to 500,000 tonnes. But the IMF was more exigent.
The Egyptian foreign minister, Esmat Abdel-Maguid, visited Washington during January 1990 to discuss with the IMF its response to the 'Letter of Intent'. The IMF demands for reform included an increase in domestic interest rates from 13-16 per cent to 20-25 per cent and a full currency float starting at a devalued rate of E£3 to $1, compared with the current official free market rate of E£2.58 and a black market rate which has hovered around E£2.70. Although these demands were tougher than the Egyptian government's original position, as laid out in the draft 'Letter of Intent' for 1990, there were indications that the government might be prepared to go a long way towards accepting the IMF position when the next round of negotiations began with the arrival of an IMF team in Cairo in February, but that the possible social and political consequences were still a matter for concern. At the end of January, president Mubarak took three hours to explain the government's position to a group of leading economists and bankers in an attempt to prepare the ground for new reforms. According to press reports of the meeting, the president agreed the need for far-reaching reforms, but insisted on a gradualist approach. The president is well aware that if the reform package were to be agreed, new credits from the IMF would be forthcoming as would loans from other donors and increased efforts would be made to speed up rescheduling of Egypt's $45 billion foreign debt. He is also aware, however, of the dangers of widespread social unrest if austerity measures of the kind implied by the IMF demands are implemented. Tougher action is being taken against dissenters. Some of the workers arrested following the strike at the Helwan iron and steel works were still being held in detention in January 1990 under the emergency legislation on the grounds that they constitute 'a threat to national security'. But it is recognised that invocation of the state of emergency and 'national security' will be inadequate to contain a major surge in popular discontent and unrest.

**Conclusion**

Meanwhile, Egypt has faced increasingly severe foreign exchange constraints. In January, it was forced to pay cash for French wheat and flour imports when its credit in Paris ran out because of unresolved debt arrears. Also, exports of cotton, one of Egypt's major exports and sources of foreign exchange earnings, fell during 1989 from $357 million to $250 million despite a 32 per cent price increase, and is expected to fall still further in 1990. The external pressure has become so severe over the last few months that at the beginning of May the government introduced a series of austerity measures which included proposals for the abolition of the two-day weekend for Egypt's 5 million-odd state employees (making a six day week) and led immediately to substantial price increases in fuel (between 30 and 130%) and foodstuffs, including flour, cooking oil, sugar, rice and pasta. Symbolically, the price of bread has been held down, but the social consequences of this latest increase in the cost of living will add to the sense of desperation and unrest that has been mounting throughout the country among the poorer sections of society, in the urban areas in
particular. Already this year there has been a significant increase in street violence and clashes between Islamists and Christians have become more common. At a meeting with Egyptian officials in Washington during the second week in May, Mr Michel Camdessus asked for details of Egypt's proposals for a programme of economic reform over the next three years. Clearly the 'Letter of Intent' was not sufficient, and a tougher package will be demanded. Whether the Egyptian government, under increasing pressure from all sides, and now facing a constitutional crisis following a court ruling in mid-May that the current parliament was illegitimate, will be able to implement the measures required by the IMF and survive the political repercussions, remains the crucial question.

The Prospects for a New Lomé Convention: Structural Adjustment or Structural Transformation?
Trevor W. Parfitt and Sandy Bullock

In December 1989 the European Community (EC) and 66 African, Caribbean and Pacific states (the ACP) completed negotiations on the establishment of a fourth Lomé Convention. There can be little doubt that one of the decisive factors in influencing the ACP to continue their association with the EC has been Lomé aid. The funding disbursed by the European Development Fund (EDF) has gained a reputation for its generous terms. It has also entailed relatively low conditionality, the EDF's only stipulation being that it should be spent on EC goods and services.

However, this benefit has been put at risk in the newly agreed text of Lomé 4. One of the central innovations of the revised convention will be to introduce a new level of conditionality into Lomé aid in the form of 'structural adjustment' policies. This Briefing assesses the likely impact this innovation is likely to have on the operation of the Lomé aid regime. In order to do this we shall initially review the current operation of the Lomé Convention with a view to determining how far it actually does benefit the ACP. The question of why the EC evidently feels that it is necessary to introduce structural adjustment policies into the Lomé regime will also be addressed. Finally, we shall examine how the EC is likely to implement these policies.

Lomé 1 — 3: What Has Been Achieved?
The Lomé Convention offers the ACP states a variety of benefits. Firstly, the ACP has tariff free access to the EC market for all but a few of their goods which are covered by the Common Agricultural Policy. There are also special arrangements to facilitate the sale of certain ACP goods on the European market, notably sugar and beef. The total aid package for the first convention was ECU3462 million, followed by ECU5409 million for Lomé 2, ECU8500 million for Lomé 3, and now ECU12000 million for Lomé 4. Most of this aid is administered by the EDF and takes the form
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of grants and soft loans. Under the first three conventions, some 70% of EDF finance has taken the form of project aid allocated to the National Indicative Programmes (NIPs) for each of the ACP states (Commission of the European Communities, 1986a). At the beginning of each convention an EC mission visits each ACP state to agree its NIP, this being known as the ‘programming process’. The amount of aid to be made available to each state is decided by the EDF alone, this being an issue that has at times provoked some degree of controversy. The remainder of ‘non-programmed’ EDF aid is divided amongst a number of different mechanisms, the most prominent of which is probably Stabex, which is designed to compensate ACP states for short falls in their export receipts from agricultural products should they fall below a certain level. Under the terms of Lomé 2 a fund (Sysmin) to compensate for declining mineral export receipts was introduced. Whereas Stabex provides compensation in the form of a transfer of foreign exchange, Sysmin provides support in the form of a project, which may be aimed at restoring productive capacity for the mineral affected or at economic diversification. Perhaps the major innovation of Lomé 3 was to allocate a proportion of aid to finance fast disbursing Sectoral Import Programmes (SIPs) for the import of necessary inputs for a particular economic sector, whether it be agriculture or industry. These programmes will be discussed below.

Lomé aid represents a substantial input into many ACP economies. A number of states are heavily dependent on Stabex which often represents a substantial proportion of their recurrent budgets. Unfortunately, each Lomé mechanism is characterised by its own particular weaknesses. For example, in 1980 and 1981 it was found that Stabex funding was inadequate to cover valid claims made by the ACP states (Parfitt, 1983). In 1980 the shortfall amounted to ECU123 million, forcing the EC to reduce payments to the claimant states by 53% (this cut was reduced to 40% for least developed, landlocked and island states). The following year the deficit rose to ECU341 million necessitating cuts of 58% (53.5% for least developed, landlocked and island states). One might argue that these were exceptionally bad years for the fund due to the recession, but it ran into problems again in 1987 when legitimate claims amounted to over ECU803 million, whilst Stabex could only find ECU375 million. This necessitated further reductions of the payments made by the fund. It has also been noted that the per capita value of the total aid package has declined over the years. There was a 30.9% drop between Lomé 1 and Lomé 2 and a 12.5% fall between the second and the third conventions (European Report, 30 July 1988:4-6).

With regard to the programmed (predominantly project) aid the most common complaint is that the disbursement rate is slow. During Lomé 1 it was estimated that the time taken from initial presentation of a project for consideration by the EDF to the commitment of funds could be anything from eight to sixteen months (Hills, 1978:2). After five years of Lomé 1 the rates of commitment and disbursement were 88% and 46% respectively, whilst the same rates were 77% and 43% after five years of
Lomé 2 (Commission of the European Communities, 1986a:18-19). It is thought that this trend has worsened under Lomé 3. The Sysmin fund seems particularly prone to problems of slow disbursement. By the end of Lomé 2 less than half the finance available had been allocated to projects and commitment rates have been slow under the third convention also.

However, certain projects are complex to design and mount whilst others, notably those in the social sector, have a long lead time and need to have funding allocated to them over a period before they can be expected to start showing results. Critics have pointed out that under the first two conventions the bulk of Lomé aid was not spent on projects to help people at the grass roots. The largest proportions of aid were spent on infrastructural and other large scale ventures which on the one hand satisfied the demands of ACP elites for prestige projects and on the other hand supplied EC businesses with lucrative contracts to supply services and inputs. However, this balance seems to have been redressed somewhat in the context of Lomé 3 where the EC put an emphasis in the programming process on support for the rural sector, particularly with a view to promoting self-sufficiency (though it should be noted that this was interpreted by the ACP group as a first step towards imposing greater conditionality on Lomé aid).

Many commentators have argued that the Lomé trade regime is not actually as liberal as the EC like to pretend. They note that many ACP exports to Europe have to surmount an array of non-tariff barriers. In particular, they point to the Rules of Origin which stipulate that no less than 50% of the value added in ACP goods must have originated in the ACP states and/or the EC. Given that few ACP states have the capacity to produce industrial goods incorporating so much value added this is seen as a disincentive to economic diversification (Ravenhill, 1985). Critics also point to the existence of the ‘Safeguard Clause’, which allows member states to make derogations from the guarantees of free access if their market is threatened. The EC likes to assert that this clause has never actually been used. This is correct. However, there is evidence that the United Kingdom used the threat of the Clause to force Mauritius to conclude a voluntary export restraint agreement restricting its textile exports to the Community (Parfitt, 1981:90). Indeed, it has to be admitted that the Community’s trade concessions have not resulted in any increase in ACP exports to Europe. Instead the ACP states share of the European market declined by one-fifth in the decade after 1975 from 20.5% to 16.6%. However, this bleak overall picture is somewhat modified by the findings of Stevens (1989) who found that up to 28 ACP states had developed a capacity to export some 70 new commodities including wood and leather products, clothing and out of season vegetables. The value of these exports in 1987 was ECU826 million, or 6.9% of all ACP non-fuel exports to the EC. Whilst this may be a small amount in absolute terms it represents substantial growth from a very small base.
Towards Structural Adjustment Conditionality with a Human Face

The Lomé tradition of low conditionality combined with the principle that the ACP should retain their ‘acquis’ (that is the rights and privileges that they have attained under previous Lomé Conventions) might constitute an obstacle to any imposition of structural adjustment conditionality. Indeed, to a certain extent, this has limited the Community’s room for manoeuvre (as we shall see). However, over the period of the first two conventions the Community became convinced of the need for a higher level of conditionality. They were unhappy about the uses to which Stabex transfers were being put and wanted to exert greater control over how ACP recipients could spend this aid (there was some evidence to suggest that certain states had misused this funding). They also wanted to have more control over the type of project funded with EDF aid with the result that they instituted a process of so-called ‘dialogue’ and ‘exchange of views’ during the programming exercise for Lomé 3. This essentially meant that some degree of pressure was put on ACP states to focus their aid mostly on the rural sector. As we noted, this was not entirely welcomed by the ACP despite the fact that it could be seen as a productive move away from prestige projects to a more grass-roots oriented approach. The ACP feared that this was the thin end of the conditionality wedge and that once they conceded to policy dialogue more conditions would follow.

If, then, the EC is moving towards structural adjustment conditionality and therefore World Bank-type Structural Adjustment Programmes (SAPs), how would these be implemented? A European Council Resolution of 31 May 1988 offered a gradualist, flexible and humane interpretation of structural adjustment, which has been further developed in Lomé 4. The latter states that SAPs should be adapted to the particular circumstances of each country, that their impact on different social groups should be taken into account, that they should be implemented at a rate that is compatible with the capacities and resources of each country, and that the right of ACP states to determine their own development priorities should be respected (ACP-EEC, 1989:242-243). Such an approach would be quite different from the shock treatment administered by the IMF and the Bank.

Another distinctive feature of Lomé 4 is its emphasis on the need to promote the coordination of structural adjustment efforts on a regional basis (ACP-EEC, 1989:123). By ensuring that different ACP countries or groups are engaged in complementary rather than competing productive activities, regional coordination would avoid the problems arising from ‘fallacy of composition’. Such coordination could also be used to promote intra-ACP trade with the EC helping states in one region to identify potential markets in another area of the ACP. However, it is by no means

* The ‘fallacy of composition’ refers to the problem arising when all producers with the same export product simultaneously raise producer prices in order to increase the volume of exports. Overall supply to the world market increases faster than does demand, and so world prices fall.
clear how this regional coordination will be implemented. Moreover, there is a risk that regional coordination will involve another layer of conditionality: Lomé 4 specifies that all decisions on regional funding must be preceded by an 'exchange of views' (a phrase increasingly used as a Lomé code for conditionality) between the relevant ACP countries and the Commission (ACP-EEC, 1989:124).

More reassuringly for the ACP states, successive EC statements have indicated that conditionality will not be applied to all EC aid, at least in formal terms. In September 1988 the then Commissioner for Development, Lorenzo Natali announced that the Commission advocated that SAPs 'should be financed by specific resources other than our traditional finance development instruments' (mimeo of Natali's speech). This position was confirmed in Lomé 4, with the result that traditional Lomé aid mechanisms will not be directly tied to SAPs. Formal conditionality will apply only to a new aid facility designed specifically to support adjustment, although, even here, the word 'condition' is never used in the Lomé text, which instead refers to 'joint assessment' between the EC and the ACP on macro-economic or sectoral reforms (ACP-EEC, 1989:243). Support will take the form of fast disbursing finance both for General Import Programmes, or GIPs (which will be aimed at meeting general ACP needs for essential imports) and for Sectoral Import Programmes, or SIPs (which will be targeted at particular economic sectors, as under Lomé 3) (ACP-EEC, 1989:245). The decision to apply conditionality only to this new facility seems to preserve the principle that the 'acquis' should be left intact.

However, an important qualification of this decision is implicit in an EC statement (EEC, 1989) that aid from the traditional and the new facilities should not be compartmentalised. The Community envisages that traditional Lomé aid instruments, inclusive of Stabex, may be used in support of structural adjustment. Indeed, Lomé 4 specifies that a proportion of funds assigned to National Indicative Programmes (NIPs) may be used in support of SAPs (ACP-EEC, 1989:243 & 266). It has been suggested within the Commission that up to 20% of traditional programmable aid might be diverted in this way. Whilst this arrangement may add a valuable element of flexibility to the working of the Lomé aid programme, it may also lead to problems. The severity of the economic crisis in many ACP states (particularly those of Africa) is such that they may well be tempted to maximise the amount of finance they can obtain in the form of quick disbursing funds that will accompany the SAPs. The attractions of this strategy can only be enhanced by the emphasis placed in Lomé 4 on GIPs (which, unlike SIPs, can be used to finance any imports deemed economically necessary to the ACP recipient). The Commission is all too likely to accept this situation in view of its anxiety to encourage the ACP to embark on what it sees as an essential process of economic restructuring. To the extent that this represents a growing trend towards making Lomé aid into quick disbursing finance there is the danger highlighted by Pisani (1988) that 'the short term is favoured to the detriment of the long term, and development is sacrificed to financial
discipline'. The question must be asked as to how far SIPs and especially GIPs can be integrated into a long term development strategy. Will increasing proportions of EC funding be spent on relieving short term import needs (for example, for petroleum) without helping to stimulate the development that could enable the ACP states to earn the foreign exchange to pay for such imports in the future?

One obvious way of reconciling ACP needs for short term relief and long term development would be to ensure that the new facility for SAPs is sufficiently funded to satisfy the majority of ACP demands for quick disbursing aid without exhausting the finance made available through the traditional facilities. However, as we have noted the long term tendency over Lomé 1-3 has been for the per capita value of aid to decline. Moreover, although the Commission initially suggested that the SAP fund should amount to ECU2 billion spread over five years, haggling among the EC member states has reduced this figure to ECU1.15 billion. The inadequacy of this sum can be gauged from a recent World Bank estimate that sub-Saharan Africa will need a gross ODA transfer of US$22 billion per year by 2000 (World Bank, 1989c:13).

This raises the question as to how these limited funds will be divided amongst the ACP states. Lomé 4 specifies certain eligibility criteria that ACP applicants must meet in order to qualify for SAP support. Provision of SAP funding will 'depend on the scope of the reforms being undertaken or contemplated at the macroeconomic and sectoral level, their effectiveness, and their likely impact on the economic, social and political dimension of development, and on economic and social hardships being experienced' (ACP-EEC, 1989:244). In making its assessment, the Commission will take note of indicators such as the level of indebtedness, balance of payment difficulties, the budgetary situation, the monetary situation, the rate of economic growth, the level of unemployment, and the situation in social areas such as nutrition, housing, health and education. Given the very general nature of these policy statements, it is clear that the EC will have considerable discretion in the allocation of SAP support. This has naturally fueled ACP fears that some Lomé recipients will benefit at the expense of others. As a gesture towards allaying these fears, Lomé 4 states that 'in principle' all ACP states will be eligible for SAP funding. However, it is difficult to see how this could be achieved given the limited finance available. Consequently, it is not surprising to find that the EC member states and the Commission are in agreement that only certain states will be given SAPs, although they have not given any more detailed elaboration of the criteria to qualify for such aid.

Further doubts arise as to whether or not the Community will have the political will and the capacity to forge ahead in developing its own model of structural adjustment. EC representatives have been quite optimistic in stressing that whilst they will coordinate their support for SAPs with that of other institutions, notably the IMF and the World Bank, this will not detract from the humane and gradualist nature of the EC approach to
structural adjustment as defined in Lomé 4. Indeed, it is implicit in the statements of some officials in 'DG8' (Directorate General for Development within the European Community) that the Community can play a role in moving the Washington institutions towards adopting such a model of adjustment. Such an outcome would be very desirable, but there are reasons for doubting that it can be achieved. Firstly, Stevens observes that the staff of DG8 are relatively inexperienced in developing macroeconomic policy and this places them at a disadvantage in trying to formulate a viable alternative to the Fund/Bank model of structural adjustment (1988). Commission officials deny that this is a problem, but it must be noted that DG8 only has plans to employ five experts in its macro-economic unit (Bullock, 1989). This hardly gives it parity with the batteries of macro-economists employed by the Bank and the Fund.

It seems clear that the Community lacks the macro-economic expertise and the economic weight to influence the Washington institutions in any discussions aimed at aid coordination. As we have seen, the finance devoted to SAPs by the EC will amount to ECU1.15 billion spread over five years, whilst the World Bank Group contributed some US$2 billion per year to Africa over 1986-87 (ECU1 = US$1.2). One might reasonably expect that the larger donors will have the final say in deciding what kind of conditionality should be attached to aid.

... But a Less Human Practice?
All of this leads one to doubt whether the Community really is serious about developing its own model of adjustment with a human face. A bias towards the Washington model is highlighted by a statement in Lomé 4 that any country undertaking an IMF or World Bank adjustment programme will 'automatically' qualify for support from the EC (ACP-EEC, 1989:244). Moreover, it is well known that certain member states, notably the United Kingdom and Holland, want the EC to stay fairly close to the Washington line on adjustment. There is evidence to suggest that such states are endeavouring to ensure that the Commission is not given too much latitude to develop a distinctively 'European' approach to adjustment. Such an approach, if it were to be effective in countering or modifying the pervasive influence of the Washington institutions, would require some measure of coordinated solidarity on the part of the Commission and the EC member states. Indeed, in an apparent move to promote a united front, a European Council Resolution of 16 May 1989 stressed the need for effective coordination between the member states and the Commission on adjustment. However, in a crucial caveat, the United Kingdom insisted that the minutes of the Council meeting include the qualification that this be done only 'as far as possible' (Bullock, 1989). It seems clear that this represents an escape route from the commitment to adhere to a more humane, distinctively 'European' model of adjustment.

There are also indications that those states that would prefer to observe the Washington orthodoxy will use their influence on such bodies as the Programming and EDF Committees (the former plays a major part in
formulating each ACP state’s NIP, whilst the latter takes the final decision on whether or not to finance any project submitted for consideration to the EDF by the ACP) and the Development Council to obstruct projects and programmes that stray too far from the straight and narrow path of laissez-faire virtue. Such was arguably the case with regard to a SIP for Tanzania worth ECU24.5 million. When the programme was submitted to the EDF Committee in September 1988 West Germany, the United Kingdom and Holland blocked it on the grounds that Tanzania had failed to reach agreement with the IMF about how much it should devalue its currency, this being an element of the conditionality attached to a Fund programme then under negotiation. In fact this disagreement was the result of a technical misunderstanding between Tanzania and the IMF which the parties were in the process of settling. The Commission approached the World Bank to establish that this was the case, upon which West Germany withdrew its opposition to the programme. Consequently, the United Kingdom and Holland no longer had sufficient votes to hold up the programme and it was unblocked in November 1988 (Bullock, 1989). While the SIP was only held up for a brief period, it is significant that several member states were very eager to tie EC aid to IMF conditionality. It is worth noting that the EC member states’ blocking power is not restricted to the funding designated for SAPs. On the Programming Committee, while having no formal power of veto, member states are able to influence the design of national indicative programmes. More importantly, on the EDF Committee, an alliance of as few as three member states can be sufficient to block the financing of a project. This could well prove to be a mechanism for covertly introducing conditionality to all Lomé aid through the back door.

The Community’s current approach to conditionality gives further reason to fear that in fact EC aid will be made contingent on following Fund/Bank ‘shock’ programmes. The UK Secretary of State for Commonwealth and Foreign Affairs, Mr Patten revealed on 4 April 1989 (in answer to a Parliamentary Question from Mr A. Bennett, MP) that out of a total of 25 SIPs agreed with the ACP states thus far, seven had been explicitly linked to Fund/Bank SAPs, whilst many others had been in support of such programmes, although there was no explicit linkage. This leaves some doubt as to whether or not the latter group of SIPs would be suspended in the event of ACP non-compliance with Fund/Bank conditionality. However, we may note that a Commission Memorandum on SIPs states:

*Without creating any formal link between such [Fund/Bank] programmes and SIPs, their existence or the fact that one is being negotiated should be taken into consideration when deciding whether or not to finance a SIP* (Commission of the European Communities, 1986b:5).

It is worth recalling that many of Lomé’s SIPs have been implemented under the umbrella of the World Bank’s Special Programme for Africa (SPA). In June 1989, 21 countries had been given EC funding for SPA-linked import programmes. At the time of being offered such funding, 19 of these countries already had World Bank or IMF programmes in place; and the
remaining two (Tanzania and Benin) were known to be very close to final agreements with the Washington institutions (Bullock, 1989).

We can gauge what this means for the ACP states from the example of the SIP to finance industrial product imports into Malawi. This programme was made conditional on the World Bank sponsored Industry and Trade Policy Adjustment Programme (ITPAC), which stipulates that the Malawian Government must take such measures as reduction of the fiscal deficit, flexible exchange rate management, reduction of protection, price decontrol and a tax reform aimed at shifting the burden of taxation from international trade and production to domestic purchases and consumption. Essentially, this is a fairly typical Fund/Bank austerity programme. It may be noted that the Malawian people will have to endure the rigours of this programme at a time when their living standards have already been eroded by deteriorating export crop prices and commodity price rises. The latter have been caused by the activities of the South African backed Mozambique National Resistance, which has sabotaged Malawi’s rail link to the Mozambican port Nacala, thus raising transport costs. None of this is suggestive of the gradualist and flexible approach to structural adjustment advocated in the European Council’s May 1988 Resolution and in Lomé 4. No account seems to have been taken of the very particular difficulties caused to Malawi by South African destabilisation. Indeed, there is nothing to indicate that the EC tried to influence the Bank to take a more nuanced approach. Even more remarkably, the Commission accepted the ITPAC as the basis on which the SIP should be disbursed before it was finally agreed. In the Financing Proposal for the SIP it was noted that the conditionality stipulated by the Bank was indicative (Commission of the European Communities, 1988). Not only did the Commission uncritically accept Bank conditionality as the basis for its own programme, it did so without actually knowing what form that conditionality would finally take. This raises fears that EC rhetoric about gradualist conditionality will prove to be an unconvincing mask for a slavish observance of the Fund/Bank model of structural adjustment.

To the extent that the Community actually does link itself to the Washington line on conditionality it seems all too likely that it may also take on board the ideological baggage that is associated with those institutions. Hitherto, the EC has been generally concerned to ensure that its aid is not directed in a partisan fashion, making no obvious distinctions between regimes of the left, right or centre. The Washington institutions, as we know, are not troubled by such scruples. By linking itself too rigidly to conditionality that is decided in Washington, often under the preponderant influence of the United States government, the Community will not only be committing itself to a ‘shock’ model of adjustment that it purports to disagree with, but also making Lomé aid into yet another foreign policy tool for the US.

Certain EC member states may support the idea of linking Lomé aid to US foreign policy to the extent that it means opposition to left wing
regimes. However, they might remember that this can mean supporting corrupt and mismanaged right-wing regimes such as Mobutu's Zaire. Both the Reagan and the Bush administrations have exerted considerable influence on the IMF to protect its most reliable African ally from the worst rigours of structural adjustment. The influence of the Bush administration helped to win him a new agreement with the IMF signed on 9 June 1989 despite the fact that reports by the Fund and the Bank show that between US$300-400 million were misappropriated from Zaire's export receipts last year (Africa Analysis, 23 June 1989:3). As confirmation of the way the EC was beginning to follow US foreign policy, the announcement of Mobutu's agreement with the IMF was closely followed by an EC decision to award Zaire a SIP.

Structural Adjustment or Transformation?
In most areas relating to trade and aid, Lomé 4 is not substantively different to its forerunner. There has been some marginal tinkering with a few aspects of the Lomé regime, such as Stabex, Sysmin and the rules of origin, but none of these changes amount to a significant departure from previous practices. The only major innovation has been the creation of the fast disbursing aid facility subject to structural adjustment conditionality,optimistically, with a 'human face'. Even in this case there is still a question mark over whether or not a free market development strategy based on encouraging the ACP states to rely on their traditional primary commodity exports will bring about the economic diversification so badly needed by those states. Given these circumstances it seems reasonable to argue that if the Community is genuinely concerned about ACP development it might profitably consider moving beyond the concept of adjustment and adopting the strategy that has come to be known as structural transformation (see Parfitt's review article in this issue).

A structural transformation strategy would entail activities to enhance most of the Lomé trade and aid facilities. Notwithstanding the liberalism of the trade regime, modification of the value added provision of the Rules of Origin (that is, lowering the 50% minimum) would provide an impetus to the diversification process identified by Stevens. Similarly, the Stabex scheme could be extended to cover some processed as well as primary commodities (Lomé 4 has made a small step in this direction, extending Stabex to cover cocoa powder in addition to the other cocoa products previously included in the scheme). Increasing the number and range of products covered by Stabex would give impetus to one of the professed aims of the scheme, which is to encourage diversification in the agricultural sector and in the processing of agricultural products. As for Sysmin, it also includes a clause enabling recipients to use its aid for diversification, but disbursement rates are so low that in practice this has had no impact. An encouraging sign is that under Lomé 4 the working of Sysmin will be speeded up, and we may hope that the scheme will be of assistance to countries such as Zambia in their attempts to diversify away from mineral production.
A central part of any structural transformation strategy would involve direct aid and assistance to achieve industrial development in the ACP states. The EC made guarantees of such assistance as early as Lomé 1. However, they were never put into practice. The Centre for Industrial Development (CID) is under-funded and has remained very much a poor relation of DG8. It has never been able to stimulate any substantial amount of private investment in the ACP states. Secretary-General Carrington has noted that the European Investment Bank (EIB) has a lamentable record of investment in the ACP states, having been able to place only one-third of ECU600 million over a five year period, whilst the African Development Bank had invested US$1 billion over a similar period. Clearly, the CID and the EIB must play a much enhanced role under Lomé 4. Unfortunately the CID continues to be hamstrung by lack of funds (with a budget of ECU60 million under Lomé 4, compared with ECU40 million under Lomé 3), and will therefore have difficulty in fulfilling one of its primary functions which is to mobilise private investment in the ACP. The EIB, however, could help in this task if it were given the power to enter into joint ventures with private capital at present its remit is restricted to soft loans. Finally, the Commission could play a valuable role by helping the ACP to provide incentives for private investors.

However, there may be some risks entailed in such a development path. There is evidence to suggest that influential forces within the EC have promulgated a strategy for a limited form of ACP diversification within a context of European economic control (Parfitt, 1987). This 'Eurafrican' idea of promoting a model of EC-African relations based on the exchange of European processed commodities for African primaries has been influential with certain groups in Europe, especially France, for as long as there has been a European Community. The imprint of this Eurafrican idea can be seen in various aspects of the Lomé regime. The Rules of Origin can be seen as serving a dual purpose. As we have noted, the 50% minimum puts limits on any autocentred process of ACP diversification. However, the cumulative clause in the Rules encourages ACP cooperation with European capital (as opposed to Japanese or American capital) by allowing work done in the Community to count in determining whether or not a commodity complies with the conditions for free entry. We have also seen that the ‘Safeguard Clause’ enables the EC to protect the European market from ACP goods if it deems such action necessary. The EDF has always practiced a policy of refusing to fund industrial projects because it sees this sector as the province of private capital. Rather than giving direct aid to industry, the Community hoped to use the CID as a device for identifying opportunities for European capital in the ACP states.

The Eurafrican enterprise could easily be grafted on to a development path based on structural transformation. The aim of increased European investment in the ACP states is at the centre of both strategies. Most ACP governments would welcome the prospect of a European multinational opening a branch or a factory in their country. Indeed, the Eurocentred development might arguably deliver substantive benefits to the ACP states.
in such forms as enhanced employment, some transfer of technology and an increase in receipts for the state from taxes. What it would notably fail to do is give the ACP states any measure of control in the development process.

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Bibliographic Note
This paper is in part based on interviews with members of the European Commission, with officials at EEC member state delegations, and with ACP Secretary-General Edwin Carrington. The interviews were conducted during September 1988, May 1989, and June 1989. Amongst the literature consulted were the following:


In addition the following periodicals were consulted; Africa Analysis, The Courier, European Report, Eurostat External Trade; Monthly Statistics, IMF Survey and South.
Debates

Debt and Indebtedness: The Dynamics of Third World Poverty
Ankie Hoogvelt

Money is a social relation. Seldom has this been more clearly demonstrated than in the case of third world debt. With the internationalisation of the world’s financial markets, the world capitalist system has reached a new and higher level of integration. It has, in the words of Peter Drucker (1988:121), become a transnational economy. This transnational economy, he argues, is shaped and driven, not by production and trade, but by money flows. These money flows he calls the ‘symbol economy’. The symbol economy has its own dynamics and is not determined by the real economy. Drucker adds that over 90% of all financial transactions in the transnational economy do not perform what traditional economists would consider an economic function. That, of course, is a matter of opinion. I shall argue here that most certainly that part of the global symbol economy which constitutes third world debt flows has a function. Indeed, in the money driven transnational economy third world debt has come of age as a perfect instrument for

- managing the periphery of the world capitalist system in the interest of the core countries;
- more effectively extracting an economic surplus from the periphery.

The Debt Decade: the Economic and Social Record

The core creditor countries amongst which the US is today still dominant, issue and control the value of the currencies in which most of the debts are denominated. In a world economy dominated by global financial markets, by money careening around the globe at frenetic pace, the principal national economic objective of the core countries has to be, and indeed has become, one of maintaining the competitive strength of their currency vis-a-vis each other, fighting domestic inflation that threatens this competitive strength, and to try and catch as much of the careening
capital flows into the net of their domestic currency areas. The trade wars of yesterday have been replaced by investment wars. However, the prevailing monetarist ideology with its emphasis on deregulation and privatisation and on reduction of the size and influence of the state sector, permits only one instrument to achieve this objective: the manipulation of interest rates. It is therefore no coincidence that the 1980s stands out as a decade of historically unprecedented high and rising interest rates of the core currencies.

Most of the outstanding stock of third world debt was originally contracted at low and fixed interest rates in the mid-1970s. They were, however, rescheduled in the early 1980s when floating (and rising) interest rates prevailed. The sharply increased commercial world market interest rates of that period of between 13-16% coupled with the resulting improvement in the value of the core denomination currency, the US dollar, have throughout the 1980s added to the debt service burden of the third world.

The upshot has been that since 1983, and for the very first time in the post war period, officially recorded capital outflows from the third world to the core countries have annually exceeded the monies flowing to it (UNCTAD, 1989:38).

Clairmonte and Cavanagh, in an article published in 1987 and covering the period 1981-1986 have added to these figures an estimate of flight capital and profit remittances. Together these have lifted the total net financial transfers over the period 1981-86 to a figure well over $250 billion representing the total financial contribution of the third world to the advanced, core countries over that period. This figure, in today’s prices, the authors point out, is four times the one of the $13 billion in Marshall aid with which the United States, financed the post-war recovery of Europe. Today the idea of the Marshall Plan is frequently invoked in connection with the need to reconstruct Central and Eastern Europe. It is generally acknowledged that the sums involved are truly awesome. If and when the core countries do decide on this most fraternal of gestures, we would do well to remember where the money is coming from.

Since the debt crisis broke in 1982, the IMF and World Bank have been commissioned and dispatched to the frontiers of the transnational economy to exact payments from and supervise the credits to the third world. In this capacity they have been able to affect profoundly the organisation of production and trade in the periphery to the benefit of the core of the world capitalist system. To be fair, these international institutions were catapulted into the role of debt collector by force of historical circumstance rather than by design. The privatisation of the world’s financial markets in the 1970s and the concomitant rise of private lending to the third world in that period ruled out direct government intervention on the part of the leading industrial nations. Karl Otto Pohl, IMF Governor for West Germany in 1982, summed up the bankers’ position accurately during a visit to Buenos Aires in 1982: 'The IMF is our only hope. It is the only institution that can lend money and impose
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conditions for doing so. No government can do this, nor any bank (Bransford & Kucinsky, 1989:18). In all debt rescheduling exercises in the 1980s it has been the seal of approval of IMF/World Bank as expressed in official memoranda of agreements and letters of intent exchanged between them and the debtor countries which has released, in complex and interactive packages, official and commercial credit flows. It is only very recently, in 1989, that the IMF announced a change in policy. It now no longer insists that countries be current on their debt to private creditors before drawing on its resources. As the Debt Decade draws to a close, this change of policy may signal an end to the Fund’s role as debt collector. However, the guidelines for the implementation of this new policy are strict and include the Fund’s satisfaction with the concerned country’s medium term adjustment strategies. And even where the commercial credits have been resumed independent of such packages, the international banks and other financial institutions have wished to reassure themselves that IMF supervision of the recipient economy is firmly in place.

There are basically two groups of seriously indebted countries. On the one hand, there are the 15 so called ‘Baker’ countries. These are the middle income countries, mostly in Latin America, plus Nigeria, the Philippines and Yugoslavia; on the other, there is a group of some 20 least Developed Countries (LDCs), mostly in sub-Saharan Africa. Despite enormous differences in size of economy, size of debt from the point of view of the creditors, and composition of debt, the former countries having incurred their debt mostly through private lending, the latter through ‘official’ credits, the terms and conditions of the rescheduling packages have been remarkably similar whether introduced under IMF stabilisation agreements, as in the case of the former, or under IMF/World Bank Structural Adjustment Facilities as in the case of the latter. In both cases the scope and detail of the combined IMF conditionality rules and the World Bank’s structural adjustment contracts have amounted to a degree of economic intervention in the debtor countries which matches, perhaps even exceeds the direct administration of bygone colonial governments. The inventory of IMF/WB prescriptions are by now well known. It includes currency devaluation, deregulation of prices and wages, reduction of public spending on social programmes and state bureaucracies, removal of food and other subsidies on basic necessities, liberalisation of trade regimes, privatisation of parastatal enterprises, and the expansion of the export sector, the latter, in the case of agriculture, often at the expense of food production. The officially stated aims of these policies is to stabilise the domestic economies, to stimulate economic growth and to ensure the country’s ability to earn the foreign exchange needed to service its foreign debts.

Even by the IMF/WB’s own macro economic standards (growth, stability and foreign exchange earning) the policies, after several years of scrupulous observance on the part of debtor countries, have been a failure. Growth rates have declined. Of 27 Least Developed Countries which have
implemented stabilisation programmes negotiated with the IMF since mid-1981, at least 20 have recorded negative per capita growth rates in the period up to 1986 for which World Bank data are available (UNCTAD, 1989:155; World Bank, 1988). The so-called 'Baker' countries, Mexico, Brazil, Venezuela, Argentina, Columbia, Nigeria, and the Philippines — it is well known — have experienced similar declines in output. Inflation has often jumped to hyper rates, and the foreign exchange deficit has widened, particularly as expansion of traditional exports has led oversupply and hence falling market prices, while the effect of currency depreciation has caused a drying up of imports necessary to tool up industry destined to increase manufacturing exports. The number of LDCs whose currency depreciated in real terms with respect to the US dollar increased from two in the period 1970-1975 to 31 in 1980-85. See the UNCTAD Trade & Development Report 1989. Over the period 1980-1988 most major food and other agricultural export crops experienced serious and sustained deteriorations in world market prices, as did at least half of the main mineral commodities. Meanwhile prices of manufactures appreciated on an average by about 25% over the period (UNCTAD Handbook of International Trade and Development Statistics).

In a joint report with UNDP on Africa in 1989 the World Bank admits that 'the evidence leaves room for optimism' (World Bank/UNDP, 1989:3). The Economic Commission for Africa is more blunt: 'All indications are to effect that structural adjustment programmes are not achieving their objectives in Africa' (UNECA, 1989:24).

While the IMF austerity programmes have failed to meet their macro economic objectives or at best have met with a success that is subject to debate and interpretation, the domestic social cost of these programmes have been appalling. Poverty levels have been driven further down and ever swelling numbers of people have been caught in a widening spiral of unemployment, destitution and distress. Punitive currency depreciations* have largely wiped out the exiguous savings of working peoples; the ruthless withdrawal of food subsidies have caused food shortage and riots. It is worth noting that there is not much disagreement, whether academic or political, on either the magnitude or the moral turpitude of the social injustice and immiseration that has been forced upon the third world's masses in order to repay their nations foreign debts. Nobody, not even the IMF/World Bank and the global private financiers, denies that the debt burden is being carried by the masses who bear neither a moral nor a material responsibility for incurring the debts in the first place. Evidence of the international financial institutions' recognition of the vulnerability of the poor to adjustment packages comes in a series of suggested measures designed to protect the poorest sections of the affected

* For example, in just three years between October 1983 and October 1986 the percentage fall of local currencies against the US dollar were 98 for Ghana; 93 for Guinea; 92 for Sierra Leone; 87 for Zambia; 81 for Nigeria; 73 for Tanzania; 65 for Gambia and 57 for Zaire (The Economist, 1 November 1986:67).
populations; for example, the IMF sponsored PAMSCAD; the World Bank's *Protecting the Poor during the Process of Adjustment*, (WB, April 1987). United Nations’ agencies have, for their part, played an active role in criticising the IMF/WB's adjustment packages, as for example the UNICEF's *Adjustment with a Human Face*.

**Flight Capital**

It is not surprising that there is not much disagreement on the moral issue because the figures for flight capital over the past decades speak for themselves; they are hardly a secret. They are constantly being estimated, monitored, compared and published by the leading private and public institutions of the world capitalist core, such as Morgan Guaranty Bank, CitiCorp, the US Federal Reserve Bank, the Bank of England, the Bank for International Settlements and the IMF itself. R.T. Naylor has sampled some of them:

Estimates of foreign exchange fleeing developing countries are bound to be tentative, variable, and likely conservative, particularly as they do not take into account losses from smuggling. The Bank for International Settlements, whose figures seem particularly conservative, put the amount leaving Latin America alone between 1978-1982 at about $55 billion ... The US Federal Reserve estimated capital flight from Latin America for the same period at $84 billion; the Organization for Economic Cooperation and Development (OECD) ventured that in 1982 alone some $70 billion fled Latin America, double the interest payable on the entire Latin America debt for that year. The Bank of England's estimate was more modest, putting capital flight between 1981 and 1984 at only $80 billion, a mere 25% of Latin America's total debt (1987:330-31).

In its latest annual report, the Bank for International Settlements suggests that the amount of assets held abroad by Latin American residents may now even exceed their countries' present debts to commercial banks (BIS, 1989:135-36).

The wanton misuse and illicit diversion of foreign borrowings and the plethora of means by which the ruling elites have, over several decades, smuggled their nation's wealth out of their countries and into the core capitalist system is well understood by the international credit community. The strategies deployed encompass anything from stolen airline tickets to phoney invoicing, overvaluing the costs of imports and under-reporting the receipts from exports with the differences stashed abroad, smuggling drugs and commodities currencies and precious metals; last but not least commissions and kickbacks price-tagged to officially recorded borrowing but banked in safe havens abroad.

In the past the money flows arising from such illicit transfers constituted 'hot' money, a kind of parallel flow of illegal, underground funds not easily 'laundered'; that is, not easily leaked and assimilated into the mainstream flow of our symbol economy. The globalisation and deregulation of the financial markets in the 1980s has effectively merged these two streams.
Before the onset of the financial revolution illicit flight capital traversed tedious, circuitous routes involving shady banks tax havens and a long paper trail of ghost companies, shell companies and frontmen, before joining up with the mainstream respectable financial system and entering long term development banking, legal commercial transactions, or the coffers of corporate treasurers. If they were not caught on the trail by diligent national fraud squads, they would end up lying idle in safe deposit boxes in Swiss 'asylum' banks, a privilege for which money had to be paid, instead of it being earned. The Swiss banks in their turn would have to use the Anstalt* of Liechtenstien in order to redeploy their client's wealth and use their money as a source of making more. However, in the past that was the price to be paid for anonymity and secrecy. One could not very easily (although it was not impossible) use stolen money as a source for making more 'legal' money.

The fact it was nonetheless being accomplished by Swiss banks and other tax haven 'peekaboo' finance institutions such as Hong Kong banks was a thorn in the flesh of the big money centre banks in the US. As early as 1966, in a report circulating amongst the economic departments of US government and financial institutions, these banks were complaining that 'US-based and US-controlled entities are badly penalized in competing for flight money with the Swiss and other flight money centres over the long run' (Naylor, 1987:33).

The next fifteen years saw various innovative and ingenious attempts by the mainstream financial community to get in on this profitable act. They set up their own offshore branches in exotic tax havens; they increasingly moved funds in and out of the unregulated eurodollar and Eurobond markets, and above all they lobbied the governments of the core countries to deregulate and denationalize their financial markets. By the 1980s they had succeeded in all these attempts. In 1983, Don Regan, then Secretary of the US Treasury boasted: 'We have become a haven currency and a haven country not only for people but also for their money' (Naylor, 1987:333).

Globalisation and Deregulation of Financial Markets
After Gorbachev and Glasnost the globalisation and deregulation of the world's financial markets is probably the most significant historic event of the decade of the 1980s. It is an enormous subject in itself and of course not easily summarized in a few paragraphs. There are however two principal elements on which analysis must be centred.

* An Anstalt is a form of organisation in the principality of Liechtenstein that is popular as a vehicle for tax avoidance with non-Liechtenstein nationals both corporate and personal. The Anstalt is a single share holder company which has limited liability and can trade as a body corporate. Once registered by a Liechtenstein national it can be transferred to other ownership without the change being publicly registered. For these and other global finance terms that might stump the uninitiated reader, one is referred to Hoogvelt and Puxty, Multinational Enterprise, an Encyclopedic Dictionary of Concepts and Terms, Macmillan, 1987.
1. Money can be raised, borrowed, lent, lent on, invested and transferred around the globe, at the press of a computer button. National stockmarkets are in the process of merging into global markets as companies can now hunt for investors around the world. Petty cash lying idly overnight in branches of companies in Britain can be gathered up and invested in the Tokyo foreign exchange markets to come back the next day for wages and other cash flow obligations. This is the meaning of globalisation. National capital and national money markets are disappearing.

2. There was a time when there were institutional separations ‘Chinese walls’ between the different functions of money and, by corollary, between the different ways in which money could be used as a source of making more money. There was money as ‘ownership’ or ‘equity’ capital which earned dividends; there was money as bank or loan capital which earned interest; and there was money as medium of exchange which earned profits simply from trading on the difference in prices of commodities (including money itself as a currency) prevailing in markets distanced in time and space.

The quintessence of ‘deregulation’ is that these Chinese walls that used to separate these distinctly different activities and social groups have been removed. Corporate treasurers can now use money intended for long term productive investment to play the foreign exchange markets or make money out of lending and borrowing, or buying and selling companies; they can issue commercial paper without having to borrow from banks or raise capital on stock markets. Banks for their part can buy stocks and shares on their own account, make money buying and selling currencies, and create credit through selling so-called ‘certificates of deposit’ without having to worry about reserve assets or the size of interest earning deposits. Of the plethora of financial instruments, seemingly endless variations on the theme of IOU’s that have pierced the Chinese walls, these two stand out as of epoch-making importance: securitisation and loan-selling. Securitisation is the process whereby companies can issue commercial paper (interest bearing bonds) directly on the world’s money markets. Loan selling is the process whereby banks try and get a bit of the business back by taking on huge, massive corporate loans, and selling them in smaller chunks to third parties, through certificate of deposits. These smaller chunks which are pay-to-bearer IOU’s next get traded into so-called secondary markets. Basically what it means is that anybody in possession of very large sums of money can buy and sell and earn interest on them without having to leave a name and address and other personal information that would be subject to national regulatory scrutiny.

In this combined process of globalisation and deregulation, the umbilical cord that used to connect the origin of capital with the destination of capital, and which used to link the lenders to the ultimate borrowers, has broken. With it has gone the capacity of national agencies to track down the source of funds, including the source of illegal funds. In a way, all money flows have now become anonymised. This being the case, it is
increasingly difficult to make a distinction between clean and unclean money, between legal and 'hot' money. It is certainly a distinction which the internationalized financial markets, being quintessentially private markets are loath to make. Statistically, it is true, their estimates of 'flight capital' will include all reported and unreported assets of a nation's residents held abroad, but morally there is a tendency to recognise as illegal flows only that part of unreported assets which unmistakably issue from universally defined 'criminal' offences like drug smuggling. But in between these two, the statistical maximum and the minimum, there is a whole grey area within the world capitalist system where money flows from a periphery struggling to maintain national economic and financial integrity by means of national regulatory frameworks, to a core which, caught in the present mood of privatisation and deregulation, denies the economic justification — indeed the morality, of such regulatory frameworks. And thus, most transfers which are illegal from the point of view of third world debtor countries are in practice considered as legal from the point of view of both the international financial system and its backers, the core creditor nations. Third world governments trying to track down such illegally diverted flows hence can expect little assistance from the national agencies of the core creditor countries.

**Management of the Periphery**

Naylor further traces the curious and circuitous routes of the flight capital that drives the international markets into an ever increasing frenzy of cycling and recycling unimaginable billions between the financial centres of the world capitalist system and the private pockets of rulers and elites in the periphery.

*recycling had taken a bizarre new twist. An ever growing number of off shore banking and tax havens competed for the increasingly large supply of hot and footloose money fleeing the developing countries. The hot money was then lent through the euro-banking system funding loans to developing countries in need of hard currency to bolster their foreign exchange positions drained by capital flight (1987:59).*

It is of course very nice for bankers and third world elites that they no longer have to play hide and seek in 'peekaboo' financial centres. But it does test our patience when it is reported that the same banks who make large loans to the developing countries simultaneously move personal deposits for their clients from third world capitals. It means that in some cases the money does not actually have to leave at all and the entire shoddy cycle can be completed with a few bookkeeping entries (Sayed, 1986).

As they were being despatched to the periphery, the bailiffs of global capital, the IMF and World Bank, knew — as indeed we all do — that the mega fortunes of the Samozas, the Duvaliers', the Dikkos', the Marcos', the Mobutu's and their cliques were the diverted booty of the lending days of the mid-1970s when the international banking system was flush with recycled petro-dollars and had proceeded to pour them down the bottomless pits of third world sovereign borrowers, state-owned enter-
prises and private contractors. They knew full well that much of this money had immediately flown back into the tax and safe havens of the core countries. They also knew that the day had now arrived when the bills would have to be finally settled by the unfortunate masses on whom history had played a really dirty trick. It had shepherded them into a fictitious coral called nation state and draped them in the national flag of convenience. The bailiffs' task of managing the periphery required the successful alignment of two quite contradictory strategies:

1. On the one hand they had to ensure the legitimisation and the acceptance of public responsibility for the debts however privately incurred or however fraudulently diverted. The debts had to be nationalised.

The technical aspect of this debts-nationalisation was fairly accomplished by inserting into the rescheduling packages a web of interactive and cross-default clauses which ensured that debtor governments de facto accepted responsibility for all debts incurred by parastatal enterprises and by local and regional authorities, even when these had not previously been guaranteed by them. Many commercial banks have gone even further and insisted on government guarantees for all future and past credits extended to private contractors (Wood, 1984:709).

The effective nationalisation of all debts, however, required legitimacy in the ideological and institutional sphere as well. Ideological and institutional debt nationalisation involved a propping up of the concepts of national economic development, of national sovereignty, and the legitimacy of individual rulers, many of them spectacular thieves. Peripheral countries needed to be treated as separately identifiable national economic and accounting units, sovereign in their control over human destinies and natural resources, operating with public budgets and the discretionary authority of the state. For national governments can raise revenues and taxes, impose levies and duties, issue licenses and allocate directly or indirectly foreign exchange. In so doing, national governments can determine the term of exchange between different economic sectors and social groups. The fiction of national sovereignty and independency and, above all, the illusion of a national currency must be constantly recreated and reproduced. For without this, there is no method for mobilising the surplus created by a plurality of unrelated individuals and economic activities, and press-ganging all of it into one vehicle which will transport this combined wealth out of the country, and into the core of the world system.

For example, through the periodic depreciation of currencies (invariably the centre piece of all IMF conditionality) the savings of millions of people can be pulled in to offset in a kind of 'catching-up' exercise imbalances which have occurred in the external exchange as a result of previous 'over-valuation' of the currency which in turn had permitted a small class of wealthy elites to buy foreign exchange at that over-valued rate and so flee the currency and the country. At the same time, currency depreciation wipes out or significantly reduces the government's domestic debt,
immediately thereby giving foreign creditors preferred access to the national purse.

2. While thus the debts had to be nationalised, the second strategy, in line with prevailing monetarist principles, sought to de-nationalise the economies themselves. The imposed policies aimed to privatise the public sector (particularly state-owned enterprises), deregulate the financial sector (abandoning dual and official exchange rate regimes), liberalise external trade, and generally ‘free’ the economy from bureaucratic, state interference and open it up to foreign direct investment and trade.

Combining these two contradictory strategies was not, it has to be recognised, an easy task. At the ideological level it made the bailiffs walk a tightrope between, on the one hand, reaffirming the notions of national sovereignty, national economy and national development, while at the same time confining development economics and any hint of Keynesian notions of national economic management to the dustbins of history. They had to uphold the state and destroy it at one and the same time.

The bailiffs have squared this circle by differentiating between the political/juridical state and the bureaucratic state. While the one was upheld — including the position of fraudulent leaders — the other was torn asunder. The IMF has never instructed Mobutu to bring his $5 billion worth of stolen loot back into the country — but they have sacked thousands of public employees. The developmental, bureaucratic state was in all literature, including much left wing literature, criticized as the real cause of third world poverty and underdevelopment. This was the message of the ‘counter-revolutionaries’ in development theory and of many who claimed to be standing in the marxist tradition as well (Toye:357). The public sector and particularly state-owned enterprises were condemned for being managerially inefficient, corrupt, creating market distortions and depleting national budgets. In an ingenious turning of the screw, state-owned enterprises were sold off in ‘debt-for-equity’ swaps. International banks were persuaded to buy third world debt that was being traded in secondary markets at considerable discounts and then convert these debtor-country IOU’s into local currency equivalents pegged to sell-offs of designated public assets. Naylor again:

A war on corruption became cover for a dual program: ‘publicization’ of private liabilities, whereby the state guaranteed and therefore legitimised debt incurred by private actors; and ‘privatization’ of public assets whereby the government sold off the state companies to pay down the debt it had legitimised.

Roundtripping: The Debt Crisis Turning Full Circle
To date, such creditor sponsored market based debt reductions amount to no more than a total of about $27 billion. But as we near the end of the ‘Debt Decade’ they portend yet another perverse twist in this tragic tale. International institutions are now beginning to see debt conversions as one means to bring back flight capital. For, flight capital, from being a minor embarrassment to the international financial community in the early part of this decade, has become a major source of conflict between
international banks. The reason for this is that as a result of US interest rate policy and currency revaluation, the dollar and the US financial institutions are now the main beneficiaries of flight capital even though European banks too have very large exposures in the third world. Hence the latter's sudden discovery of flight capital as the key to solving the debt crisis.* In some debt conversion packages it is possible for residents of debt ridden countries holding fraudulently amassed assets abroad to buy up their country's debt in the secondary markets at greatly discounted prices. This is already the case in the Philippines (UNCTAD, 1989:106). To the extent that the international banks are now making loan-loss provisions involving the write-down of non-performing third world loans (IMF, 1988:46), the discounts at which the debts are traded are very hefty indeed. The purchased debts are next offered to the central banks of the debtor countries concerned in lieu of either domestic currency equivalents or collateralised bonds or equity investments in local property and privatised state companies. This 'roundtripping' as it is called in financial circles, not only affords third world capital exporting elites some form of amnesty, it is also of course extremely profitable. Having at one time transferred the nation's capital out of the country at over-valued exchange rates to bask in the sun of tax and safe havens abroad, they can now come back to buy up the remainder of the nation's wealth at knock down prices. All that the IMF's adjustment policies have done is to ensure that this is possible, legal and politically acceptable.

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Bibliographic Note

* See for example, the 'Viewpoint' of the German Commerz Bank in the *Economist*, 18 November 1989 and the comment made by Sir Kit Mahon, Chairman of the Midland Bank on Susan George's BBC 2 Programme on Debt, 28 December 1989.
Reviews

Trevor W. Parfitt

The publication of the World Bank/UNDP report (1989a) has begun a new phase in the debate on the effectiveness of structural adjustment programmes (SAPs). That report purported to present evidence that SAPs have had beneficial results in Africa in terms of growth of GDP and of export volumes. The Executive Summary of the report noted that ‘large variations in recent trends among countries preclude strong conclusions’, but nevertheless reached the following conclusion:

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 favorable terms of trade facing the reforming countries (1989a:3).

This has provoked outrage amongst many of the African leaders who have been saddled with the task of enforcing often arduous SAPs and who are evidently dubious as to the efficacy of these reforms. They mobilised the United Nations Economic Commission for Africa (ECA) to produce a critique of the Bank/UNDP report (ECA, 1989a). The ECA seeks to disprove the Bank’s optimistic conclusions by demonstrating that they are based on the use of ill-defined concepts and on a selective use of data.

The significance of the ECA critique of structural adjustment is that it goes further than previous attacks by other international organisations. Whereas UNICEF sought to demonstrate that SAPs could have unpleasant social side effects (a problem that could be corrected, or at least ameliorated, without attacking the concept of structural adjustment itself), the ECA has sought to prove that SAPs do not work. It has argued that SAPs have not only failed to improve economic conditions in Africa, but have worsened them. The ECA has even gone so far as to develop an
alternative strategy to structural adjustment: structural transformation. The World Bank has deemed ECA criticisms important enough to produce a study expounding its own agenda for African development in the 1990s (World Bank, 1989d).

In this Briefing we shall examine the main strands of the World Bank/ECA debate and just what it demonstrates about the efficacy of structural adjustment, and review the contribution to this debate made by UNCTAD (1989). We shall then comment on the ECA's alternative strategy before concluding with a brief examination of the Bank's counterproposals for African development (World Bank, 1989d).

The Bank/ECA Debate
The Bank/ECA debate on the efficacy of structural adjustment can be summarised as focusing on the following issues. A central argument of the Bank's report is that 'Sub-Saharan Africa's overall terms of trade are higher (by perhaps 15 per cent) than in the early 1970s' and that the decline of the 1980s was a return to the long term trend after a period of unprecedented highs (World Bank, 1989a:11). The ECA reject this assertion that declining terms of trade had no role in the African crisis, arguing that the years 1970-73 were 'a period of record low terms of trade' and it is only by use of this freak period that the Bank is able to reach the conclusion that the terms of trade in 1986-87 were not low (ECA, 1989a, Summary).

The Bank’s report also attempts to demonstrate that SAPs have in fact been effective in bringing about economic improvement. The conclusion of the report is that if economic statistics on sub-Sahara Africa are disaggregated to differentiate between 'strongly reforming' countries and 'weakly or non-reforming' countries, and then further differentiated to separate those countries that experienced 'strong shocks' from those that did not, they show that strongly reforming countries which did not encounter strong shocks have fared best in recent years. Such countries have experienced significantly higher GDP growth, increased agricultural output and higher exports. Thus, strongly reforming countries that encountered no shocks had a GDP growth rate of 3.8% over 1985-87, whilst countries with weak or no SAPs that did not experience shocks lagged behind with a growth rate of 1.5% over the same period. The superior performance of the strong reformers occurred at a time when their terms of trade and export prices were falling. By contrast, 'the countries with weak or no reform programs have benefited from rising export prices, terms of trade, and export earnings since 1985' (World Bank, 1989a:ch6). This would seem to imply that strong adherence to structural adjustment can compensate for an adverse trading climate, whilst failure to undertake the correct reforms will lead to a poor economic performance despite a favourable climate.

The ECA attacks this argument on a number of bases, firstly stating that the Bank does not adequately explain the criteria by which it defines only 19 countries as strongly reforming when many more African countries
have operated SAPs throughout the 1980s. Secondly, it does not define what constitutes a strong shock. Thirdly, in attempting to demonstrate that strongly reforming countries attained higher growth rates the Bank departs from its usual practice of using weighted averages with the result that in calculating GDP growth rates countries as disparate as Gambia and Nigeria were given equal weight. Fourthly, the findings of the report do not tally with evidence presented in other World Bank reports, notably *Beyond Adjustment* and *Adjustment Lending*. These examine GDP trends over the longer term and indicate that whilst annual average growth remained positive throughout sub-Saharan Africa in the 1960s and 1970s, it declined to zero over 1980-86 (ECA, 1989a:9-11).

On the basis of these figures the ECA has undertaken its own examination of GDP trends. It notes that countries have been grouped 'according to the World Bank list into those with strong, weak and no reform programmes', but GDP is measured over the longer period of 1980-87 and weighted averages have been used. This gives results suggesting that the countries identified by the Bank as strongly reforming performed worse than other states. Strongly adjusting states experienced a decline in GDP of -0.53% over 1980-87, whilst weakly reforming states attained growth of 2.00% and the best performance came from the non-adjusting states with growth of 3.50% (ECA, 1989a:9-10).

Having attempted to demonstrate that structural adjustment is associated with weak or negative rather than strong growth, the ECA criticises the Bank report's celebratory remarks that the strong reformers have received greater benefits in terms of aid flows and debt relief than weak and non-reformers. It points out that the latter group are being starved of resource flows and that lack of such finance has been a factor in frustrating the domestic reform efforts of many African states. The Bank is also criticised for celebrating the fact that this external support has enabled strong reformers to maintain a larger current account deficit (before grants) than the non-reforming states, which have had to compress their deficits quite radically. The ECA quotes another Bank report (*Adjustment Lending*) to note that such aid is intended to support policies designed to reduce external imbalances rather than to widen them. By this criterion the widening deficits of the reforming states should not be presented as evidence of success (ECA, 1989a:11).

For good measure the ECA also makes the point that the World Bank study completely ignores the question of the social effects that SAPs have on ordinary people in adjusting states. As we have indicated, various observers, including UNICEF, have noted that the Fund/Bank tendency to require draconian changes of many countries, including large devaluations and substantial public sector cuts, has had adverse effects on the living standards of ordinary people. Recent UNICEF studies have found considerable evidence to suggest that deflationary SAPs have adversely affected the living standards and health of vulnerable groups, such as women and children (e.g. Cornia et al, 1987).
Although the Bank has not actually published a response to the ECA’s criticisms, it has circulated an internal memorandum amongst its staff responding to the central points. In the first instance the Bank notes that its report ‘does not cover ... social dimensions, in part because indicators for these were unlikely to have changed since the adoption of the UNPAAERD [United Nations Programme of Action for African Economic Recovery] or because recent data were not available’. The memorandum points out that the ‘Bank/UNDP report notes simply that policy reforms help the poor, especially in agriculture’. It is difficult to see on what basis the report is able to make this observation given that one of its central contentions is that adjustment has only begun to show results in recent years (i.e. since 1985) and yet social indicators for those years either have not changed or are unavailable. The report also notes that ‘the share of public spending in social sectors had not apparently declined in the 1980s’ (World Bank, 1989b:5). This does not bear out the findings of UNICEF, nor of a UNESCO report showing that over the period 1980-84/85 expenditure per primary school pupil fell in 14 out of 19 African countries (UNICEF, 1989:17).

Having initially reaffirmed the report’s demonstrably false assertion that social spending has not fallen, the memorandum tries to suggest that ‘the financial imbalances in the late 1970s and early 1980s induced reductions in social programs’ (World Bank, 1989b:6). However, even if we accept that cuts were in progress prior to the intervention of the Bank and the Fund in the African policy making process, UNICEF has gathered substantial data to prove that the SAPs backed by those organisations resulted in even deeper cuts in social spending and it notes:

> in most countries the real cost of such cuts is being paid, disproportionately, by the poor and by their children. And since 1984, we have been concerned to draw world attention to the social consequences of adjustment policies and to warn that the worst was yet to come (author’s emphasis).

UNICEF is able to quote the Managing Director of the IMF, Michel Camdessus, to the effect that, ‘Too often in recent years it is the poorest segments of the population that have carried the heaviest burden of economic adjustment’ (UNICEF, 1989:17-18). Given the weight of evidence to the contrary, it is remarkable that the Bank should now attempt to underplay the role of its and the Fund’s SAPs in leading to harmful social expenditure cuts.

The memorandum notes that adjustment policies have been adapted to mitigate their social costs. While a number of programmes are at the planning stage, the only existent case in which the ‘adjustment with a human face’ model has been operationalised is the Programme of Action to Mitigate the Social Costs of Adjustment (PAMSCAD) in Ghana (see Loxley in this number of ROAPE). Unfortunately, this programme has been characterised by delays and in early 1989 one World Bank official commented that as yet PAMSCAD was not even under way. The memorandum concludes its comments on the social effects of adjustment
by noting that the report’s assertions about the efficacy of SAPs in bringing about growth are relevant to social issues as ‘improved growth is necessary to provide more resources in the future that can be used to deal with social problems, including poverty’ (World Bank, 1989b:6).

The Bank’s memorandum next turns its attention to the ECA’s objections to the way aid flows are increasingly focused on countries operating SAPs. The ECA argues that it is the higher aid flows that explain any up-turn in the indicators for countries operating SAPs, rather than the adjustment policies themselves. The Bank attacks this argument with effect by pointing out that ‘non-reforming countries still receive more aid, relative to GDP, than reforming countries do’. It also correctly notes that ‘there is ample evidence that high levels of capital flows, including aid, do not necessarily lead to growth if policies are not appropriate’ (World Bank, 1989b:7).

On the question of shocks and their definition, the Bank provides much of the data stipulated as necessary by the ECA adequately to define what constitutes a strong shock and its criteria seem convincing. The memorandum also points out that the Bank did not use its categories in the way suggested by the ECA. The Bank divided states into strong reformers, weak and non-reformers and an unclassified category, some of which were excluded due to lack of data, whilst others did not require a SAP because ‘they have generally followed good policies’. The ECA mistakenly classified this latter group simply as non-adjusters and attempted to demonstrate the inefficacy of SAPs partly by showing that this category had experienced the best growth rates over the period 1980-87. The Bank’s response is that since several members of this group had no need of reform in the first place it is not surprising that they performed well. With regard to its use of unweighted figures the Bank argues that in fact this was the correct way of proceeding given that its samples included countries of diverse sizes. The Bank’s figures give an equal weight to the programmes for each country and therefore give a truer reflection of the impact of the SAPs in all the countries examined. The ECA’s use of weighted figures tends to bias the average by giving a preponderant influence to the larger countries in the sample (World Bank, 1989b:10-12).

However, it is worth noting that the Bank did use weighted averages in attempting to prove that terms of trade and export prices were moving against reforming states in 1985-87 whilst they were improving for weak and non-reformers over the same period. The Bank is quite scrupulous in giving two sets of figures for reforming states, one of which includes petroleum exporters whilst the other excludes them. This ensures that Nigeria (at that time suffering the effects of the oil crash), classed as a strong reformer, does not bias the results to give unrepresentatively bad figures for the reformers’ export prices and terms of trade (World Bank, 1989a:27). Nevertheless, it is still possible that a large swing in commodity prices for a large country could have biased the results to show an
unrepresentative decline for the reformers, or a phantom rise for the non-reformers.

In fact, the available evidence would seem to suggest a situation of general gloom in the commodity markets for Africa rather than one of variant trends for different groups of countries. Stevens notes that ‘In all cases, except crude petroleum, dollar prices in 1987 for the ACP’s (African, Caribbean and Pacific states) most important exports were 20-30% below their 1980 level’ (the situation for petroleum was even worse, its price having been halved). The exports concerned include coffee, cocoa, wood, copper and iron (Stevens, 1989:60-61). These are commodities that affect countries classified as weak reformers such as Zambia, Liberia, Sierra Leone, Ethiopia and Equatorial Guinea. Many of the weak reformers (including Sudan, Ethiopia, Comoros, Burkina Faso, Mali, Benin and Equatorial Guinea) had to approach the EC’s Stabex fund for compensation for declines in the level of their export earnings on the European market (which still takes over half of sub-Saharan Africa’s total exports) in 1987 (European Report, 30 July 1988:4-5). Nor was 1987 an exceptionally bad year. Stevens’ figures indicate that all of the above-mentioned commodities remained well below their 1980 dollar price during 1985-86, except for coffee, which seems to have enjoyed a brief boom in 1986. None of this is supportive of the Bank’s attempt to draw a stark contrast between strong reformers succeeding despite poor markets, whilst the weak and non-reformers frittered away the advantages of an improving market.

It might still be argued that the World Bank is correct in its assertion that the terms of trade for Africa are currently some 15% higher than they were in 1970-73. The ECA, it will be recalled, protested against the use of this base period because the early 1970s were freak low years. The Bank’s memorandum answers this argument by noting that ‘the average for 1970-73 is in fact higher than that for the subsequent four years excluding oil… thus these do not appear to be “freak” years in terms of the underlying trends in Africa’s non-oil commodities’ (World Bank, 1989b:13). However, Stevens argues that by 1986, real non-oil commodity prices were the lowest recorded this century with the possible exception of 1932. Moreover, the apparent recovery of 1987 was largely spurious. Commodity prices rose in dollar terms, but this was at a time when the dollar was depreciating and whilst there was also a rise in world prices of manufactures. The IMF estimated that in real terms there was a fall of 13% in 1987 on top of the 16% decline of 1986 (ODI Briefing Paper, March 1988:1-2). IMF figures are indicative of fairly substantial price rises (both in dollar and SDR* terms) in 1988, but the Fund also notes:

> Many of the commodities registering large price increases are exported mainly by industrial countries … As a result export earnings from the 19 major commodities of the industrial countries rose by 21 percent, while those of developing countries rose by only 7 percent.

The Bank/UNDP report states that ‘the instability in export revenues for African countries appears to be no higher (it is slightly lower) than for
other non-African developing countries' (1989a:11). The Bank memorandum makes the analogous point that 'other developing regions facing similar (or worse) external conditions than the region as a whole (i.e. Africa) have performed better' (1989b:5). The implication is, of course, that Africa's poor performance is principally explicable in terms of domestic economic policy errors. However, data in the 1989 World Development Report shows that the terms of trade for sub-Saharan Africa throughout the 1980s deteriorated, especially in 1986, to a greater degree than for other developing country regions (World Bank 1989; 151 & 190). It is also worth questioning just what is implied in the judgement that other regions performed better. Whilst GNP growth rates for Latin America and the Caribbean were slightly better than those for Africa over the same period, they were still low, and even 'virtually stagnant in many countries' (UNCTAD 1989:7)

Nevertheless, we are still faced with the question of whether or not the Bank has successfully demonstrated that the countries it designates as strong reformers have actually benefited as a result of their SAPs. Part of the ECA's case against this contention is that the Bank/UNDP report only classified 19 countries as strong reformers despite the fact that 33 African states had operated SAPs and the impact of the SAPs was gauged on the basis of the years 1985-87 rather than the whole of the 1980s. In reply, the Bank explains its classification of countries as follows:

Reforming countries were those judged to have had acceptable adjustment programs in place during 1986-87. All maintained agreements with the Bank and/or the Fund during this period. Non-reforming countries were those that were considered to need reforms, but did not yet have an adequate sustained program in place, or had interrupted in 1986-87 a program previously agreed with the Bank or Fund (Sierra Leone, Somalia, Zambia), or whose programs were judged as not yet comprehensive enough (1989b:9).

Central to the Bank's justification of its classification of countries as strong, or weak reformers is that they were operating Bank/Fund SAPs throughout 1986-87. The appropriateness of the 1985-87 period for assessing the impact of SAPs was largely determined by the fact that by this time reform programmes had been consolidated and in place in the strong reformers over a period.

First, at least two of the states classified as strong reformers, Zaire and Nigeria, did not have Bank/Fund SAPs throughout 1986-87. Nigeria only won IMF approval for its own programme of reforms in September 1986 and this programme was by no means as demanding as some of those that the Fund has tried to force on the 'weak' reformers. Nigeria's 1986 and 1987 budgets limited the amount to be paid in debt service to 30% of foreign exchange earnings and it is doubtful whether the Second-Tier Foreign Exchange Market has resulted in a full devaluation of the naira in accordance with market forces. Indeed, the government has intervened in the market on successive occasions to maintain the value of the naira. This presents an interesting contrast with the conditions forced on Sierra
Leone (classified as a weak reformer) by the IMF in a SAP of 1986. Perhaps the most notable element of this programme was the flotation of the leone in June of that year. This resulted in the collapse of the leone and associated hyperinflation reached a rate of some 300% by the end of August 1986. Surprisingly, the government waited until 1987 before stepping in to support the leone. It is also worth noting that the Bank has no hesitation in classifying a number of Francophone countries as strong reformers despite the fact that they have not been obliged to devalue as members of the franc zone.

In Zaire, President Mobutu effectively broke with the IMF in October 1986 when he announced that debt service payments would be limited to 10% of export receipts and 20% of the national budget from 1987. It may be argued that Mobutu quickly made peace with the IMF, but this was only after the United States had put considerable pressure on the Fund to make concessions to Zaire. A senior IMF official resigned in protest because the US made the IMF reduce its conditionalities for Mobutu (Parfitt and Riley, 1989).

These issues also affect the question of whether or not 1985-87 is an appropriate period for assessing the effectiveness of the SAPs. The Bank defends this choice of period largely on the grounds that SAPs had been in place for a time and had been consolidated by 1985. Therefore it is reasonable to expect to see some results in the ‘strongly reforming’ countries, namely those with sustained SAPs. However, the strong reformers identified above clearly had not sustained SAPs even over the period of the 1980s. Zaire broke the terms of five successive IMF programmes over the late 1970s and early 1980s, only being reluctantly forced to observe the terms of a 1983 programme in its desperation to obtain some finance. It then broke those terms in 1986, for fear of civil unrest. The Babangida government in Nigeria actually held a public debate in 1985 as to the merits of taking an IMF loan and received an overwhelming popular answer of ‘no’! Although Babangida instituted his own rather partial austerity programme in 1986 it can hardly be argued that reforms had been sustained and consolidated even by the end of the Bank’s reference period (Parfitt and Riley, 1989).

A number of similarly anomalous cases can be found, such as Tanzania, classified as a strong reformer despite the then President Nyerere’s persistent opposition to SAPs. His successor, President Mwinyi only agreed Tanzania’s first SAP since 1979 in 1986 (Africa Confidential, 18 March 1987:3). Similarly, Congo, a strong reformer had a small programme worth SDR 4 million in 1979 and then did not embark on another SAP until 1986 (ECA, 1989a:14). In contrast a number of supposedly weak reformers have been identified by UNCTAD as being among the twelve states that have operated successive programmes throughout the 1980s, including Mali, Sierra Leone, Somalia and Sudan (UNCTAD, 1989).

The UNCTAD Intervention
UNCTAD has provided a critique of SAPs which focuses on the fiscal
aspects of adjustment and on the effects of trade policy reform. It suggests that the effects of SAPs have been at best mixed in those states that have consistently followed reform programmes.

With regard to fiscal policy, UNCTAD notes that the onset of crisis caused an increasing budget deficit in many states. High international interest rates had two unfortunate effects for third world states. First, they caused the commitments of the public sector to rise, particularly in cases where it had borrowed abroad. Secondly, they exacerbated declining OECD demand for third world exports, which squeezed state receipts, especially when the export sector concerned was publicly-owned. The fiscal problems caused by this combination of factors were worsened by structural adjustment. First, the deflationary measures associated with most SAPs have reduced economic activity, which has reduced state tax revenues. Secondly, devaluation leads to a complex of effects, including reductions in import volumes and the receipts from import taxes. It also raises the domestic currency cost of debt servicing and public sector imports and by giving an impetus to inflation it reduces the value of taxes in real terms. Thirdly, liberalisation of external trade reduces state receipts from tariffs and export taxes. In the attempt to counteract inflation interest rates were raised (in many cases the Fund or the Bank specified this measure as part of the SAP), thus increasing the costs of servicing public sector debt. Many African states have been caught in a trap whereby their (often quite determined) attempts at fiscal adjustment have exacerbated tendencies towards social instability without being sufficient to bring about fiscal balance. Consequently, they have suffered increased economic and political instability (see UNCTAD, 1989:8-13).

The UNCTAD report also comments on those aspects of SAPs meant to enhance exports. It notes that varying levels of trade liberalisation have been combined with devaluation in the attempt to boost exports throughout many of the developing states. However, declines in state spending combined with debt servicing commitments have combined to create an import constraint. The decline in imports has meant that productive investment have also declined. This situation is worsened by the large devaluations that often constitute an element of structural adjustment. To the extent that this has generated higher inflation, creating the need for more devaluations, it has further destabilised the exchange rate — another disincentive to productive investment in the economy. The report notes that ‘most countries that introduced drastic trade liberalisation packages during the 1980s have not yet been able to raise their export and output growth rates, and the prospects that they will succeed in doing so in the foreseeable future are not encouraging’. It also observes that the countries that have succeeded in raising their exports have followed policies of selective state intervention to promote potentially competitive products and have maintained stable exchange rates. Furthermore, the report draws attention to the contradiction of enforcing free trade and export-orientated policies on third world states whilst the OECD states are becoming ever more protectionist in their policies (1989:14-17).
With regard to the record of structural adjustment in bringing about growth in the Third World UNCTAD’s findings are as follows:

The performance of the 12 LDCs (Least Developed Countries) which have had consecutive programmes throughout most of the 1980s does not differ significantly from that of the LDCs as a whole. Only three of them registered a higher than average annual rate of growth in 1980-1987 than that of the LDCs as a whole (2.3%), and only two improved their growth performance in 1980-1987 as compared with the 1970s. As regards the current account deficit, its value as a proportion of the value of exports of goods decreased markedly or steadily in only 8 out of the 12 LDCs. Inflation rates were reduced significantly between the 1970s and the 1980s in half of these LDCs, whereas they increased notably in the other half.

It concludes that the evidence as to the success of SAPs in bringing about economic growth is mixed at best. However, there is clear evidence that they have had harmful effects in many countries, causing deteriorations in social services, concomitant declining living standards and declining economic output (UNCTAD, 1989:28-30).

The ECA’s Alternative
Structural transformation can be differentiated from structural adjustment in that it is meant to bring about adjustment to, or transformation of ‘the real and material structures and relations of production, consumption and technology; the socio-economic institutional structures; the domestic financial structures; and, international trade and finance structures’ (1989b:4-7). It is founded on a politico-economic analysis rather than the narrowly economistic basis of structural adjustment. It consists of a comprehensive package of policies designed to bring about radical change in the African political economy by transforming those structures within society (economic, social and political) that currently block development.

The policies to be pursued in achieving productive growth and diversification include: the reduction of state spending on the military, and on the non-productive public sector; the elimination of subsidies other than those for the social sector and basic industries; deficit financing for productive and infrastructural investments gradually reduced in order to maintain the fiscal balance as far as possible; a guaranteed minimum price for food crops on the basis of managed food stocks; land reforms to increase production and employment opportunities; the allocation of at least 20-25% of public investment to agriculture and increasing the foreign exchange allocation for agricultural inputs and for essential imports for industry; credit guidelines, investment codes and interest rates adapted to promote the food sector and small scale industries rather than speculative activities; the rationalisation and rehabilitation of productive and infrastructural capacity through the creation of an effective national maintenance system; and the formalisation of parallel exchange rates as a system of multiple exchange rates utilised to mobilise resources and to attract flight capital back. The funding liberated by reduction in spending on the military and the non-productive public sector would be diverted to the social sectors in order to ensure that such services as health and education received an
annual average of 30% of public spending. In addition, state funding could be raised through levying high tax rates on luxury items which could contribute to subsidisation of essential commodities such as staple foods.

A number of institutional initiatives will have to be made in support of this comprehensive package of policies: the promotion of agricultural research and extension; the creation of easy credit systems for farmers; the creation of institutions to promote rural industries; legislation to establish a framework for rural and other workers to attain a measure of participation in and ownership of the enterprises in which they work (e.g. through such mechanisms as cooperatives); promotion of community development initiatives; and greater popular participation in policy-making and implementation.

Clearly, the ECA initiative is very ambitious. Not only does it envisage coordinated radical action being taken in most sectors of the economy at a time when the capacity of the African state is at its lowest, but it also sets out several aims that few African regimes have ever come close to achieving. Structural transformation seems all too reminiscent of some of the grandiose development plans that were developed by certain African states in the 1960s and 1970.

However, the ECA document accepts that institutions in the public sector have often been inefficient and that cultural cleavages have led to social conflict and inadequate management. Rather than issue a blanket condemnation of state intervention, the ECA suggests that past failings have been largely caused by specific deformations, notably a lack of democracy. Lack of majority political participation 'makes mobilisation and effective accountability difficult' and therefore 'Africa needs more democratic political structures in order to facilitate development' (ECA, 1989b:1-8). If the ECA's aim is to enhance government accountability, the people at the grassroots must be empowered. 'Community development' which the ECA sees as involving local people in the building of local infrastructure, is no substitute for control from the base in democratic political structures.

Certainly, it would seem that the World Bank staff feel that this is the case. In a recently published study elaborating the Bank's policy towards Africa for the 1990s (World Bank 1989d), they take a far less triumphal tone than that which characterised the Bank/UNDP report. Early in the new study it is noted 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.* (1989d:2).

At another point it is stated that:

*There are countless examples of badly chosen and poorly designed public investments, including some in which the World Bank has participated. A 1987 evaluation revealed that half of the completed rural development projects financed by the World Bank in Africa had failed.* (1989d:27).
This recognition that the Bank may share some degree of culpability for the failure of past development strategies is welcome if long overdue. The question that is of interest here is whether or not this new appreciation of their fallibility incorporates an understanding that SAPs may not be the panacea as presented in the Bank/UNDP Report.

On an initial reading it would appear not. The new report contains a number of observations such as the following:

More than half [of African countries] have embarked on structural adjustment programs. The countries that have persisted with reforms since the mid-1980s are showing the first signs of improvement. These give grounds for believing that recovery has started (1989d:1).

There is also a sense of familiarity about the Bank's analysis of the origins of Africa's crisis. Once again, the role of declining terms of trade in bringing about sub-Saharan Africa's decline is minimised. Instead, it is argued that:

... the low return on investment is the main reason for Africa's recent decline. Africa's investment and operating costs are typically 50 to 100 per cent above those in South Asia — the most comparable region. Weak public sector management has resulted in loss making public enterprises, poor investment choices, costly and unreliable infrastructure, price distortions (especially overvalued exchange rates, administered prices and subsidised credit), and hence inefficient resource allocation (1989d:3).

This explanation preserves intact the Berg Report position that African crisis may be explained in terms of an over-interventionist state and distortions such as the overvaluation of the exchange rate. However, there are some qualifications to this traditional neo-classical position which suggest that the Bank has taken on board at least some of the points made by the ECA. For example, the report notes:

For exchange rate policy, as for the management of other key prices, the objective should be to avoid major distortions, even when fully market-determined prices are not feasible for economic, social or political reasons. Experience also suggests that when the country starts from a situation of high distortions, the process of adjustment has to be managed carefully with regard to timing, pace, and scope to avoid disruption (1989d:49).

The Bank has also modified its position on the role of the state. Whilst advocating that Africa 'should not resist' the 'worldwide trend toward privatization' the new study also states:

State-owned enterprises will still be appropriate in many cases, especially in providing utilities and some public goods. In some cases the private sector lacks the capacity to take over, but in time and with imagination privatization can work (1989d:55).

This is at least indicative of a retreat from the blanket advocacy of privatization that has hitherto been associated with the Bank. If the state is to play a productive role in development it must be reformed. The new study echoes the ECA's analysis of an African polity characterised by the predominance of a largely unaccountable state mechanism basing its
power on patronage politics. The Bank shows a less ambiguous understanding of what is necessary to remedy this situation than does the ECA. The report states:

_Ultimately, better governance requires political renewal. This means a concerted attack on corruption from the highest to the lowest levels. This can be done by setting a good example, by strengthening public accountability, by encouraging public debate, and by nurturing a free press. It also means empowering women and the poor by fostering grassroots and non-governmental organizations (NGOs), such as farmers’ associations, cooperatives and women’s groups (1989d:6)._

To the extent that the Bank actively channels its aid into empowering groups at the grass roots of society it can play an instrumental role in creating the conditions for the development of a more accountable state.

On the basis of this analysis of Africa’s crisis the Bank proceeds to delineate an agenda for recovery. Agricultural output must expand by 4% annually to enable Africa to feed itself and market a surplus, and industrial output by 5% rising to 7 or 8% per year. These goals require higher levels of domestic saving and investment, whilst productivity will have to increase by 1-2% per annum for labour and some 3% for land. These improvements are to be based on the development of what the Bank describes as ‘an enabling environment of infrastructure services and incentives to foster private production and initiative’ (thus preserving the main tenets of structural adjustment within the Bank’s agenda), together with ‘enhanced capacities of people and institutions alike, from the village to the upper echelons of government and industry’. It is argued that any reversal of the continent’s decline can only be achieved if aid grows at a minimum of 4% a year in real terms to a level of US$22 billion a year (in 1990 prices) by 2000 (1989d:13-14).

This does not constitute much of a departure from the Bank’s current policies. SAPs are to be continued. However, the appreciation that they ‘should continue to evolve’ and ‘must take fuller account of the social impact of reforms’ offers some hope that the worst social effects of adjustment may be ameliorated. This cannot be done without the increase in aid flows targeted by the Bank. Unfortunately, this is probably the element of the strategy that is least likely to see implementation. In the same week that this agenda was published sources close to the Fund and the Bank were reported to be forecasting that the moves towards democratisation in Eastern Europe were likely to be ‘catastrophic’ for aid to Africa. Western donors and, in particular, the International Finance Corporation (of the World Bank) were likely to divert large portions of their resources into these states at the expense of Africa (Africa Analysis, 24 November 1989:1)

In conclusion, the international debate on SAPs has at least made the Bank acknowledge that account must be taken of their social effects and the programmes carried out in a more nuanced and sustainable manner. This indicates that the international aid lobby can attain some level of efficacy. It is now up to that lobby to do its utmost to influence policy makers
towards a more decisive commitment to the transformation and development of African economies.

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Books Received

12. The Marxian Legacy by Dick Howard, Macmillan.
13. Defining the Political by Dick Howard, Macmillan.
20. Making Algeria French: Colonialism in Bone 1870-1920 by David Prochaska, CUP.
26. Mozambique — a tale of terror by ex-participants of Renamo and refugees, African-European Institute, AWEPPA (Assn of West European Parliamentarians for Action against Apartheid), Box 402, The Hague.
27. Account from Angola: Unita as described by ex-participants and foreign visitors, AWEPPA, The Hague.
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