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The Crisis of the African Economy and the Diagnoses by the World Bank and ECA

Koji Hayashi

I. The Past Thirty Years of Development in Africa

It is generally said that 1960 was "the year of African independence," for in that year seventeen nations obtained their independence. The people in these newly independent countries expected that their income would increase and their welfare would be improved in no time. To be sure, in the early years of their independence many African countries made efforts to organize the infrastructure. As a result, expansion of the fundamental infrastructure and social services was realized.

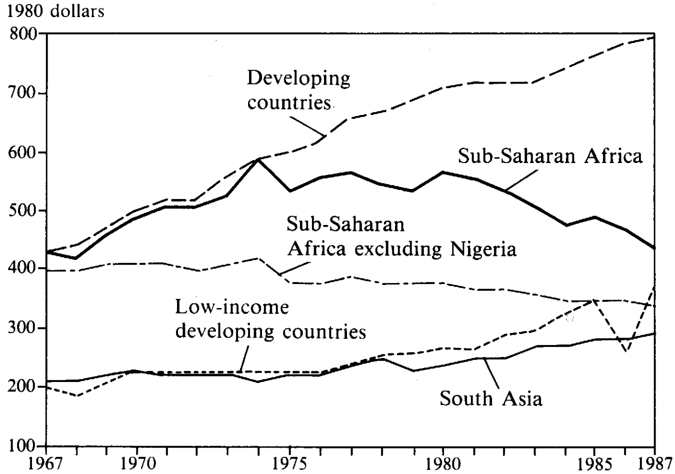
But after the early stage of development had passed the African economy came to stagnation, and then it began to recede. According to the World Bank, the achievement in each nation and in each period limped along after independence was attained.

The whole period can be divided into three phases[1]: (1) the growth phase in terms of income per person, from 1961 to 1972; (2) the stagnation phase, from 1973 to 1980; and (3) the recession phase, from 1981 to 1987 (Figure 1).

Concerning the annual average of the GDP growth rate from 1961 to 1987, there are countries such as Botswana, which enjoyed a growth rate of as high as 8.3%, and there are aslo countries such as Uganda, which suffered from a growth rate of as low as 2.2%. There are also differences between oil-producing countries and non-oil-producing countries.

As the features of the African economic crisis which has been worsening since the second oil crisis, the following points can be indicated;

Figure 1. Gross National Income per Capita in Sub-Saharan Africa and Other Developing Countries, 1967 – 87



Source: World Bank Data.

(1) agricultural depression,
(2) a fall in export income, terms of trade and the capacity for imports, and
(3) the increase of debt.

The annual average growth rate of agricultural production was 2.7% in the 1960s, which was almost the same as that of the population. After that the growth rate fell to 1.4% from 1970 to 1985. As the cause for this fall, there were the severe droughts that attacked a large part of the African continent from 1972 to 1973, and again from 1983 to 1984. But, apart from this, the newly-born African nations attached too much importance to industrialization and neglected agriculture: the producer's price has remained low, development has been concentrated on cities, the drift of the population to cities has increased, and food imports have risen because of the growth in the urban population. At the same time, since the 1970s the import of food has greatly increased because the growth rate of the population has been higher than that of the agricultural production.[2]

As for the growth of exports, they rose at the rate of 6% per year in the 1960s. But after the first oil crisis, the export volume dropped at the rate of 0.7% on an annual average.

Exports of agricultural products rose at the rate of 2% per year in the 1960s. However, the volume of exports has sharply dropped since 1973. As a consequence the share of African in its main agricultural products has fallen. For example, the ratio of main African agricultural products, such as coffee, cocoa, and cotton, in the world trade dropped to 13.3% in 1984 from 29% in 1970. Only the export of tea has increased.

Table 1. External Debt and Debt Service, 1980, 1985–88

(US$: billions)

	Debt				
	1980	1985	1986	1987	1988
All LDC's	635,8	1016,6	1099,0	1194,8	1228,9
All Africa	98,3	174,4	190,0	220,3	230,0
— North Africa	42.1	78,9	91,9	100,5	104,2
— Sub-Sahara Africa	56,0	95,5	98,1	119,8	125,8
Debt Service					
All Africa	12,4	24,3	26,4	126,1	29,3
— Sub-Sahara Africa	5,2	12,0	13,7	14,1	16,9
Debt Burden			(in percentage terms)		
All Africa					
Debt/GDP	32,1*	52,6*	62,28*	71,0*	81,1
Debt/Exports	120,5*	205,2	289,6	308,5	314,2
Debt Serv./Exports	15,2*	28,6	40,2	36,8	40,0
— North Africa	19,4*	29,9	49,7	39,2	40,1
— Sub-Sahara Africa	11.6*	27,3	36,2	34,6	40,0

Source: UNECA — Economic Report on Africa, 1989; IMF — World Economic Outlook, April, 1989.

* Estimated on the basis of 1981 GDP and Exports.

The proportion of all African exports, which includes exports of agricultural products, to the world trade dropped to 1.7% in 1985 from 2.4% in 1970. Among others, the rate of non-oil primary commodities sharply fell to less than 4% from 7%.

The African export structure has barely changed since 1960; it consists of mainly primary products, including oil. The income gained by exports of primary products occupied 93% of the whole export income in 1970 and 88% at the middle of the 1980s. Only a few countries, such as Kenya and Mauritius, have diversified their export products. Moreover, the African export market has been almost unchanged since they became independent. About half of all exports go to the EC market.[3] Facing the decrease of the export income caused by the drop in the price of primary products, many African nations have been forced to ask other countries for loans. African foreign debts had sharply risen to 125.8 billion dollars in 1988 from 6 billion dollars in 1970. The amount of debts in 1988 was almost the same as the GNP of all of Africa, and it reached 3.5 times as much as the export income.

According to A. Adedeji (the secretary general of ECA), African debt have the following features (Table 1),

(1) In 1988, out of 230 billion dollars in gross debts, those owed by North African nations were 46%, while the rest 54% was owed by Sub-Saharan Africa.
(2) About 70–75% of the African debt is concentrated in 10–12 nations.
(3) The dependence on debts of the low-income nations is higher than that of the

middle-income nations; the debt of the former nations is more than 400% of the whole export value. But the debt service ratio is low.

(4) About 60% of Africa's debts is official. The ratio of bilateral debts to multinational debts is about 2 to 1. In the case of Latin America, about 25% of debts is official. As for Africa, especially in the low-income nations, the official debts are more than 75% of all debts.

(5) The reasons for the increase both in debt and in the debt service ratio are the high interest rate and the frequent deferment of repayments. It is difficult to estimate the actual influence of the interest rate, but according to a recent estimate it amounts to about one-third of the whole debt.

(6) As the World Bank and IMF decided not to defer debts, a reversal of the flow of capital from African nations to IMF is taking place. More than 1 billion dollars was said to have flowed back to IMF in 1987.[4]

II. The Two Diagnoses for the Crisis of the African Economy in the Early 1980s — Berg's Report and the Lagos Plan of Action

In the early 1980s, two diagnoses were proposed against the serious economic crisis of African nations that we have discussed in the previous section. The proposal from aid-providing nations is "Accelerated Development in Sub-Saharan Africa: An Agenda for Action" (which is called Berg's Report after the name of the chairman), proposed by the World Bank in 1981. The other one, proposed by the African side, is the "Lagos Plan of Action for the Economic Development of Africa from 1980 to 2000" (which is called the Lagos Plan of Action); it was proposed by the Organization of African Unity (OAU).

Berg's Report was very significant, in the sense that it was the first macro-analysis on the African economic crisis, and that it also indicated a strategy for development based on that analysis. In particular, it presented the following points as the causes of the African economic crisis:

(1) Historical, geographical, political, and climatic factors of African nations.
(2) The oil crisis which occurred twice in the 1970s and drought.
(3) The failures of policies in African nations; In particular, (a) unfairly high exchange rates, (b) inadequate agricultural policies, (c) too much expansion of public sectors.

The World Bank regarded the third factor (a domestic factor) as the biggest cause of the African economic crisis. Accordingly it demanded that African nations revise that policy. This is the so-called "structural adjustment" and at the same time it became a condition for investment by the World Bank as well as a guideline for aid to aid-providing nations.

Thus, Berg's Report saw a main factor of the African economic crisis in the failures of policies of African nations rather than in external conditions. But at the same time it put emphasis on the role of aid as a recipe for the economic crisis. And the World Bank announced that, if African nations accept the policy of structural adjustment, within 10 years it would increase the amount of its aid to Africa from 4.9 billion dollars in 1980 to 9.1 billion in 1990.[5]

Next we shall see the African response. The Lagos Plan of Action first appeared at the 16th OAU ministerial meeting held at Monrovia, Liberia, in July 1979. As a countermeasure to the serious economic crisis in the African continent, this meeting adopted a "Monrovia declaration regarding the guideline for independence at the level of nations and of local communities for the social and economic development to establish a new international economic order."[6] This declaration pointed out the need for every nation's self-reliance and economic integration at the regional level. Based on this declaration, OAU discussed with the U.N. Economics Council of Africa (ECA) and made a definite program. The second extra summit meeting was held in Lagos, the capital of Nigeria, in April 1980, to discuss the proposed program, and it unanimously adopted the Lagos Plan of Action. The gist of this plan is that "the African Continent must develop in order to achieve its self-reliance. However, this does not mean that Africa must not depend on aid at all, but that aid should be supplemental to efforts made by the African side, not a main source for its development."[7] The plan clarified the program to self-reliance for each sector and, as a collective measure for self-reliance, it aimed to strengthen the mutual cooperation among the OAU members to establish an "African Economic Community" by the year 2000.[8]

We have described the essence of the two diagnoses of the early 1980s. After that, the number of African nations that adopted the World Bank's structural adjustment came to 31 in 1988. The plan has really become the main prescription for the African economic crisis. But at the same time criticism of this structural adjustment arose. The issue of social costs was picked up particularly in the report "Adjustment with a Human Face" published by UNICEF in 1987, which pointed out that as the results of carrying out the structural adjustment, "First the predominantly deflationary character of most programmes which led to growing poverty through depressed employment and real incomes; secondly, the direct negative effects of certain macro-economic policies on the welfare of particular socio-economic groups."[9]

Moreover, the World Bank itself reviewed the structural adjustment in 1987, in the report called "Protecting the Poor during Periods of Adjustment," it picked up the issue of social costs related to the program of adjustment, and stated as follows: "The World Bank's early support for the adjustment program was mainly focused on the improvement of efficiency in the distribution of resources and the enforcement of systems, for it aimed at restoring development in the economy, which had faced severe economic difficulty, and also at improving international payments. The World Bank extended its activities, and aside from its previous policies to solve the poverty problem in the long run, it encouraged more direct interests in the social effects of the adjustment."[10]

On the other hand, the African side adopted "Africa's Priority Program for Economic Recovery from 1986 to 1990," or APPER for short, at the OAU summit meeting at Addis Ababa in 1985, after a severe drought in the early 1980s. For the first time African nations admitted that the causes of the African economic crisis are not only the colonial policy in the past, which they had claimed to be the single cause, but also the African people themselves. In response to this, in 1986, the U.N. Special General Assembly on Africa adopted a "United Nations Program of Action for African Economic Recovery and Development (UN-PAAERD for short) 1986 – 90," which incorporated extensive middle-and long-term support and the cooperation of advanced countries through the United Nations. Its main points are to give preference to such matters as aid for agricultural development, countermeasures against drought and the exploitation of human resources, and to ask each nation for its support. Its gross amount was 128 billion dollars, of which 82 billion dollars was to be borne by the African side. The rest, 46 billion, was to be aid from advanced countries.

III. The Effect of Structural Adjustment — The Evaluation by the World Bank/UNDP

In 1989 the World Bank/UNDP published a report that assessed the achievement of the structural adjustment. The report is called "Africa's Adjustment and Growth in the 1980s." The report noted that it still took time for the structural adjustment to achieve good results, but it also claimed that, in general, the structural adjustment had some economic effects and concluded as follows: "When the performance of reforming countries is compared with that of nonreforming 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."[11]

As is shown in Table 2 the situation of the international economy in the 1980s was not necessarily good. For the countries that carreid out the reform, prices of export goods, incomes from exports, and the terms of trade worsened after 1980, and they were particularly devastating after 1985. However, for non oil-producing countries, both export prices and export incomes have increased since 1985. Among the countries that carried out the reform, one must examine oil-producing countries and the rest separately. It can be said that the reform had its effects in the non oil-producing countries.

Turning to the issue of aid, to the countries which carried out the reform, it increased in the late 80s, while to the rest it drastically declined (Table 3). In addition to this, debt reschedulings in the Paris club for the former countries are more than those for the latter, As a consequence of this, the ratio of ODA to GDP in the countries that carried out the reform increased, from the average of 8% in 1983 – 85 to 13% in 1987. On the other hand, in 1986 – 87, 9 out of 16 countries, of DAC that provide bilateral aid concentrated most of the ODA for Africa on the countries that carried out the reform. Furthermore, the major multinational

Table 2. Summary of Key External Economic Factors

(average annual percentage changes unless indicated otherwise)

External factor	Period	Countries with Strong Reform Programs: All	Countries with Strong Reform Programs: Excluding Oil Exporters[a]	Countries with Weak or No Reform Programs
Change in export unit prices	1980–84	−3.5	−2.7	−4.4
	1985–87	−8.2	1.9	6.7
Change in export earnings[b]	1980–84	−14.1	−7.6	−5.2
	1985–87	−10.1	7.1	3.9
Change in terms of trade	1980–84	−1.3	−0.5	−2.1
	1985–87	−14.1	−4.7	1.4
Change in total net ODA[c]	1983–85	2.9	4.2	15.6
	1985–87	18.7	18.7	−4.7
Paris Club agreements (per year)				
Number	1980–85	4.3	4.3	1.8
	1986–87	8.0	7.0	1.5
Amount consolidated (US$ billions)[d]	1980–85	1.3	0.8	0.4
	1986–87	1.9	1.5	0.1

Sources: U.N. and World Bank data files, World Bank 1988b, OECD 1989.
Note: Country coverage varies by indicator depending on available data over the entire period covered. Aggregate growth rates are weighted, based on total values summed across countries, computed using least squares. Periods are inclusive.

[a] Trade data exclude only the oil exports of oil exporters.

[b] Merchandise only.

[c] Deflated by Sub-Saharan Africa's import prices.

[d] Estimated annual reduction in debt service obligations through rescheduling.

Table 3. Shift in ODA Flows

	Countries with Strong Reform Programs			Countries with Weak or No Reform Programs		
	1985	1986	1987	1985	1986	1987
Increase in net ODA (US$ millions)	−5	1,356	836	930	123	43
Percentage change in net ODA (deflated by import prices)	1	30	9	34	−3	−6
Percentage of total ODA to Sub-Saharan Africa	39	45	47	42	36	33

Source: OECD 1989.

Table 4. Summary of Policy Reform Indicators

Indicator	Period	Countries with Strong Reform Programs		Countries with Weak or No Programs	
Government expenditure (percentage of GDP)	1980–83	31.9		28.9	
	1986–87	29.9		30.3	
Government revenues (percentage of GDP)[a]	1980–83	23.2	(19.5)	20.9	(17.7)
	1986–87	23.9	(18.9)	21.5	(17.6)
Fiscal balance (percentage of GDP)[b]	1980–83	−8.7	(−12.4)	−8.0	(−11.2)
	1986–87	−6.0	(−11.0)	−8.9	(−12.7)
Real central bank discount rate (percent)	1980–82	−7.0		−7.6	
	1986	−1.0		−12.2	
Consumer price changes (percent per year)	1980–85	18		23	
	1986–87	16		35	
Nominal exchange rate (SDR periodical currency) (index, 1980–82 = 100)	1986–87	48		55	
Real effective exchange rate (index, 1980–82 = 100)	1986–87	79		83	
Agricultural incentives[c]					
Real export crop prices (index, 1980–82 = 100)	1986	146		108	
Real food crop prices (index, 1980–82 = 100)	1986	115		90	
Nominal protection coefficient for major	1980–84	0.9		0.8	
export crops[d]	1986	1.7		1.1	

Source: See relevant sections in chapter 5.
Note: Country coverage varies by indicator depending on available data over the entire period covered. Averages are unweighted.
[a] Figures in parentheses exclude grants.
[b] Figures in parentheses exclude countries recently affected by strong external shocks.
[c] Crop years; for example, 1985 = 1986/87. Country groups for agricultural indicators differ reflecting specific reforms in the pricing and marketing of export and food crops (see annex).
[d] The implied subsidy when the NPC exceeds one reflects, to some degree, recent currency appreciation in CFA franc zone countries rather than increases in norminal producer prices.

aid-providing organizations, such as the Africa Development Fund, EC, IDA, and the United Nations Aid Agency, have concentrated their aid on the countries that carried out the reform.

As a result, these countries were able to decrease the deficit of current account balance, while in the rest the deficit has been increasing. As for reforms in domestic policies, the countries that carried out the reform cut the exchange rates earlier and more sharply than the rest of the countries. Despite this, the inflation rate in the former countries was lower than that of the latter. The countries that carried out the reform succeeded in reducing the deficit, and therefore decreased the proportion of the deficit to GNP, while in the rest the proportion has increased. As results of agricultural policies in the countries that carried out the reform, the real producer's price increased by nearly 50% from 1980 to 1986, while in the rest the increase of the producer's price was small (Table 4).

IV. The Objection to Structural Adjustment — an Alternative Program by ECA

When the World Bank/UNDP assessed the effects of the structural adjustment, ECA on the African side immediately made objections and proposed an alternative program called "African Alternative Framework to Structural Adjustment Programs for Socio-Economic Recovery and Transformation (AAF for short) in 1989."

In this report, in Chapter 3, called "Evaluation of Stabilization and Structural Adjustment Programs in Africa," it reviewed the policies that were enforced on Africa by IMF and the World Bank, and then pointed out that the structural adjustment essentially means credit policy, interest rate, foreign exchange policy, liberalization of trade, privatization policy, liberalization in price mechanism, and the introduction of a market mechanism. And the report denounced the structual adjustment because "these programmes may not succeed in addressing the real issues and, in many cases, have failed to address and deal with the real causes behind the African crisis,"[12] and it gave the following points as its reasons: (1) the defectiveness caused by ignoring the aspects of production and social costs, while it stressed only the aspects of finance, trade, and price; (2) a uniform view that ignored the individuality of Africa; (3) excessive short-sightedness.[13]

On the achievement of the structural adjustment it noted that "SAPs have not succeeded in reducing the adverse consequences of the African economic crisis in relation to the performance of the economies and on the socio-economic conditions of the people."[14] This report also criticized that, as UNICEF pointed out, "their severest impact is on the vulnerable groups in the society — children, women and the aged — who constitute two thirds of the population."[15]

The report concluded that "It should have become abundantly clear by now that, both on theoretical and empirical grounds, the conventional SAPs are inadequate in addressing the real causes of economic, financial and social problems facing African countries which are of a structural nature. There is therefore an urgent need for an alternative to the current stabilization and adjustment programmes in Africa."[16]

To respond to this conclusion, AAF noted in the first chapter that the former structural adjustment did not give enough consideration to the political and economic structure of Africa, and indicated some features of the structure as follows. Economic features: (1) the predominance of subsistence and commercial activities; (2) the narrow, disarticulate production base with ill-adapted technology; (3) the neglected informal sector; (4) the degraded environment; (5) lopsided development due to the urban bias of public polices; (6) the fragmentation of the African economy; (7) the openness and external dependence; (8) the lack of institutional capacity.

As social and political factors, it also listed social organizations, political systems, institutions, economic management and culture, and then stated that those factors are closely linked with the production structure of the economy and determine the dynamism of development.

In the second chapter, as the purpose of development the report gives: (1) human-centred development (dissolution of poverty and improvement of welfare); (2) self-supporting development (change of consumption patterns and reformation of production); (3) regional integration (infrastructure, production structure, regional food security through unifying markets, production of intermediate and capital goods, and the promotion of regional trade).

In Chapter 4, ECA proposed "Adjustment with Transformation,"[17] a program that should replace the "Structural Adjustment."

First, as an essential condition for the adjustment in the reformation, ECA gives: (1) political, economic, and social powers, such as political systems, market, climate, and so forth, which promote reformation; (2) available resources, such as manpower, natural resources, domestic savings, aid, and so forth; and (3) assets and services.

As the important points for the adjustment in the reformation, it gives: (1) increase of employment; (2) fair distribution of income; and (3) sufficiency in the necessities of life.

Chapter 5 describes the direction of policy and its measures:

(1) For extension and enforcement of production capacity: (a) utilization of available resources; (b) improvement of human resources; (c) buildup of science and technology; and (d) diversity.
(2) For distribution of income: (a) balance between public sectors and private ones; (b) environmental maintenance that yields sustainable development; (c) transfer of resources; (d) betterment of income distribution.
(3) For sufficiency in the necessities of life: (a) self-supply of food; (b) reduction of import reliance; (c) reintegration of production and consumption pattern; and (d) management of debts.

In the last chapter, it stresses the necessity of strategies and supervisory mechanisms to carry out the above.

As a strategy, it underlines the necessity of cooperation between government and people at the national level, which means the necessity of the participation of people in the process of policy making and of regional organizations at the international level.

Then, as strategies for raising funds to carry out this alternative program, it gives improvement of the environment for trade promotion, effective utilization of limited national resources (with emphasis on agriculture and education), management of debts, increase of official and private aid, acceleration of remittance from people who are living overseas, and restriction on capital outflow.

Furthermore, it mentions the necessity of collecting data on the results and the supervision when the above measures were put into practice.

It concludes as follows: "The international community particularly multilateral development and financial institutions and bilateral donor agencies have a critical role in the implementation of the alternative adjustment with transformation process in African countries. They should encourage and support programmes designed by African governments under AAF if they are to ensure that the assistance they extend to Africa leads to sustainable process of development."[18]

V. The 1989 World Bank Report — from Crisis to Sustainable Growth

Facing many criticisms since the Berg's Report and, in particular, the one in the part of Africa since the Lagos Plan of Action, and also given the proposal of an alternative by ECA, the World Bank published a new report, "Sub-Saharan Africa; From crisis to sustainable growth," in 1989.

In the course of preparing this report, many joint meetings between African nations and aid-providing organizations were held at various levels and many persons with experience regarding Africa took part in them.[19] At the same time the World Bank admitted that this report is incomplete because of the diversities of the African continent and difficulties in getting statistics. But it also claimed the necessity of making a strategy of development for the future based on the availble information, however difficult it is to get adequate information. It also stated that "Africa's future can only be decided by Africans. External agencies can play at most a supportive role."[20]

Facing the criticisms mentioned above, the report modified some of the previous opinions and emphasized the following six points:

(1) Criticized by UNICEF, it paid attention to social costs for the adjustment with diversities.
(2) Capacity building, such as developing human resources.
(3) The policy to construct favorable conditions for enterprises by providing a well-built infrastructure.
(4) The survey and study of agriculture to overcome low productivity, extension service to agriculture, family planning, and strengthening of conservation of the environment.
(5) Regional integration.
(6) Continuation of aid to Africa from the international society.

According to these points the report proposed the following seven items as development strategies for the 1990s:

(1) Adjustment programs should continue to evolve. Programs must take fuller account of the social impact of reforms and investment needs to accelerate growth and measures that are required to assure sustainability. The goal is not simply to achieve macroeconomic balance but fundamentally to transform Africa's production structure over time.
(2) The strategy should be people-centered. Human resource development and meeting the basic needs are top priorities.

(3) Capacity building needs to be deliverately pursued through institutional reforms at every level of government, and by measures to foster private sector and nongovernmental organizations and to enable women to play their full role in economic and social development.
(4) An enabling policy environment that fosters private investment should be put in place. Greater efforts to provide efficient infrastructure services are crucial, as is a support to the informal sector for generating income and employment.
(5) To overcome the nexus of weak agricultural production, rapid population growth, and environmental degradation, agricultural research and extension services would have to be strengthened, family planning services expanded, and environmental action plans adopted.
(6) Regional integration and coordination should be pursued through a series of pragmatic, incremental steps to facilitate trade, labor mobility, education, research, and natural resource management. A first step would be to rationalize regional institutions.
(7) Special programs of assistance to Africa should be continued throughout the decade.[21]

As a conclusion, the report said, "None of these measures will go far, no will much external aid be forthcoming, unless governance in Africa improves. Leaders must become more accountable to their peoples. Transactions must become more transparent, and funds must be seen to be properly administered, with audit reports made public and procurement procedures overhauled."[22]

VI. Some Comments on the Reports by the World Bank and ECA

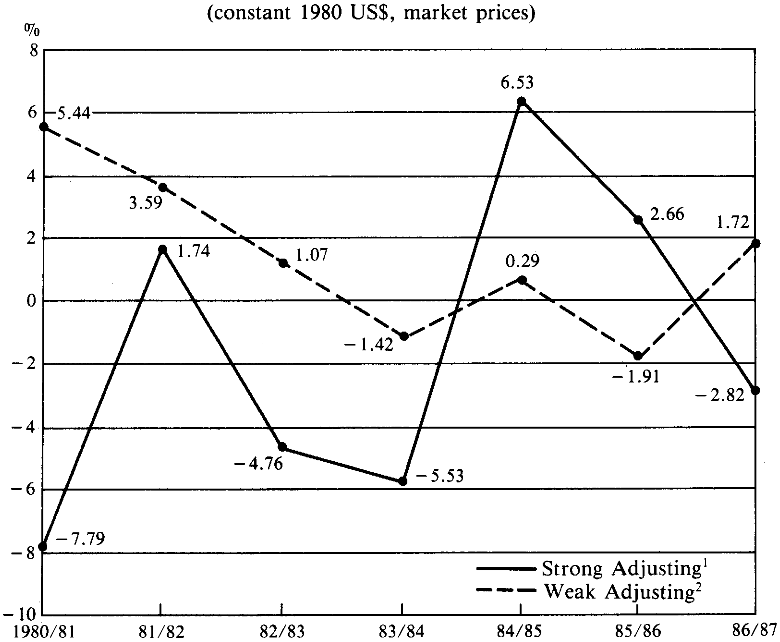
In this section we would like to examine the evaluation of the World Bank/UNDP for the structural adjustment. We will also study whether the AAF of ECA can be an alternative to the structural adjustment.

1. The Evaluation of the Report by the World Bank/UNDP

Roughly speaking, we can point out the uniformity and the short duration of the structural adjustment (criticisms by ECA, etc.) and its lack of considerations on social costs (a criticism by UNICEF) as criticisms against the structural adjustment in general.

First, it says that the growth rates of the countries that accepted the structural adjustment and carried it out are higher than those of the countries that did not. However, there are some problems in the method of the calculation of the World Bank/UNDP to reach such a conclusion. For example the GDP of Nigeria is about one hundred times larger than that of Gambia, but they used a simple average rather than a weighted one. The weighted average that ECA calculated by using the data of the World Bank is shown in Figure 2, and it tells that the conclusion of the World Bank is not necessarily true.[23]

Figure 2. Growth of GDP in Africa
(constant 1980 US$, market prices)



Second, it is open to question that the World Bank/UNDP compares the beginning of 1970s with 1986–87. Its report pointed out that the terms of trade of Africa increased by 15% during this period and that it was not at a disadvantage in the world market. However, the terms of trade of Africa were extremely bad during the period of 1970–73, and it is just natural that the number of 1986–87 looks good compared to that of 1970–73.

Third, the classification of the countries of Africa in the report is not consistent. In one case the countries are divided into those that accepted the structural adjustment strongly, those that accepted it weakly, and those that carried out no reform. In another case they are divided into oil-producing countries and others. And in yet another case the classification is such that they are divided into the countries that are exposed to "external impacts." The countries that are thinking over the structural adjustment at the moment are sometimes classified as "adjusting," and in other cases they are classified as "weakly accepting" or "no reform."[24]

Fourth, among the 31 countries that accepted the structural adjustment, 19 are regarded as "strongly accepting" (Burundi, the Republic of Central Africa, Congo, Ivory Coast, Gambia, Ghana, Guinea, Guinea Bissau, Kenya, Madagascar, Malawi, Mauritania, Mauritius, Niger, Nigeria, Senegal, Tanzania, Togo, and Zaire) and 12 are regarded as "weakly accepting" (Benin, Burukina Faso, Comoro, Equatorial Guinea, Ethiopia, Liberia, Mali, Sierra Leone, Somalia, Sudan, Zambia, and Zimbabwe). This fixed division is also open to question because the basis of the division is not clear, and the time of acceptance is different from country to country, and also because some countries that accepted it once rejected it later (Zambia, for example).

Fifth, the World Bank attributes the African economic crisis not to international factors surrounding Africa, but to internal ones. Therefore it says that the export income increased four times during the period 1973 – 80 and the terms of trade raised by 15%, and that the price of tropical products did not decline so much despite the rapid fall in the price of grains. However, the estimate by ECA shows that the price index of primary products reduced by almost half, from 100 in 1980 to 54.2 in 1988, and we cannot ignore international factors for African countries, which largely depend on the export of primary products.[25]

Considering these points, we cannot accept the evaluation of the World Bank/UNDP as it is.

2. Study of the Alternative Plan (AAF) by ECA

The adjustment with transformation proposed by AAF is clearly different from the structural adjustment of the World Bank and IMF. The structural adjustment is economic reform in its narrow sense, while the adjustment with transformation is meant to be a change in the long term in political, economic and social aspects. The former president of the World Bank, R. MacNamara, highly appraised the AAF of ECA, saying that "a remarkable document with a set of extraordinarily wise and advanced principles on which long-term development programmes should be based ... It strongly emphasizes that they should be human-centred. It stresses that they must be developed through a process of democratization."[26] R. Joly of UNICEF, who is a co-author of the book "Adjustment with a Human Face," also welcomed the plan, saying that "it was time to move beyond adjustment and formulate policy in the context of longer-term development goals.[27]

The secretary general of ECA, Adedezi, criticized the structural adjustment based on the fact that "ECA has no quarrel with the World Bank. ... Africa must take change of its own future. ... Proponents of orthodox adjustment programmes will advocate or accept cutbacks in social services, but they have not challenged increases in military expenditures."[28]

In this way the AAF has been given high evaluation from many quarters, but it does not mean that the economic crisis of Africa will go away immediately by this alternative. We will give some comments below.

First, the AAF is a long-range plan that intends to reform political and economic structure; it is not one for a short period. To solve the problems of the deterioration of the trade balance and the accumulation of debts, which African countries face at present, they still need help from countries that can provide some aid. However, the democratization of the U.S.S.R. and East Europe has become an international problem after the AAF was proposed, and an increase in aid to Africa is not taken for granted.

Second, it is true that the structural adjustment until now lacks considerations for the political and economic structure of Africa (uniformity in the conditionality, the introduction of a market principle, and so on). The AAF pointed out eight peculiarities of the African economy. But these eight points are just given without showing their mutual relations. We cannot understand which is a basic feature or how the reform of one point affects others. Moreover, the point (3) says that informal sectors are neglected, but it seems that most African countries have acknowledged the importance of informal sectors after the survey by ILO in the early seventies.[29]

Third, as the purposes of development, the plan gives (1) human-centered development, (2) self-supporting development, and (3) regional integration. We have no objection against any of them as purposes of development. In particular, it can be highly appreciated that it emphasizes human-centred development when the structural adjustment until now has emphasized economic growth. However, We wonder whether it is possible to achieve self-supporting development through a change of the pattern in consumption. For example, when the development is taking place mainly in the cities and the population of the cities is increasing as it is now, is it possible to change the habit of eating bread made of imported wheat, which is now becoming popular in the cities, to the habit of eating homemade maize again? There is also some doubt in the regional integration. Some regional organizations have already been founded after independence. Namely, there exist ECOWAS in West Africa (1975), CEAO (1974), UDEAC in Central Africa (1964), PTA (1981) in Southeast Africa, and SADCC (1980)in Southern Africa, and development through regional integrations was proposed in the Lagos Plan of Action ten years ago. However, regional trade among African countries, which have similar economic structure, is mere 5%, and we can hardly see any development until now in these regional organizations,[30] except in SADCC, which unites against apartheid.

VII. Evaluation of the World Bank's Report of 1989 and the Tasks for the 1990s

The World Bank has been criticized on many points and has amended its stand as follows:

First, the structural adjustment itself, which emphasizes the introduction of the market principle and the liberalization of the economy, is not abandoned, but the human-centred development and the fulfillment of fundamental need are also given weight.

Second, the change from reform in the short period (3 – 5 years) to one in the longer period (7 – 8 years) can be interpreted as a sign that they acknowledged the importance of the reform of the African political and economic structure, as was claimed by ECA.

Third, it is written that the future of Africa can only be determined by African people, and outside organizations can do no more than support them. They have acknowledged that the main body that can promote the development is the African side, and they regard the aid as supplementary to domestic policies.

Fourth, they have abandoned uniformity in the past and recognized the importance of national and regional measures, considering national and regional peculiarities in Africa.

Fifth, they have acknowledged the necessity of cooperations and regional integrations that have been the demand on the part of Africa since the 1980 Lagos Plan of Action.

Because of these modifications the 1989 report of the World Bank has much in common with the AAF of ECA. However, this also means the reduction of short-term relief to the African economic crisis, which the World Bank and IMF have been doing until now.

Finally, We would like to mention the reduction of military expenses and the repayment of accumulated debts as the immediate tasks for the 1990s. In Africa, because many countries have military governments and also many are in civil war, the import of arms causes a large outflow of foreign currencies. According to the estimate by ECA,[31] the price of imported arms amounts to about 10% of the total price of imported goods. However, this is an average figure and there are countries that pay more for arms. In fact there is a country which pays more than 15% of its GDP. It is said that, in the 1980s, the military expense exceeded the educational one, and that the public expense toward health was less than one-third of the military one. The military expense is the least productive and the arms import gives rise to further outflow of foreign currencies through the purchase of attachments and renewal to new models. Of course, some countries in Southern Africa cannot help the military expense to oppose destablization by the Republic of South Africa. A part of the economic crisis will be solved by reducing military expenses and spending more on social costs.

As for the accumulation of debts, OAU held the third extra summit meeting at Adis Ababa from the end of November to the beginning of December in 1987 and adopted the declaration "African Common Position on Africa's External Debt Crisis." According to this declaration, the accumulated debts of Africa had increased from 128 billion dollars in the end of 1982 to 169 billion dollars in the end of 1985. At the same time the ratio of the debts to GDP had increased from 40% to 50%, the ratio of the debts to the export from 194% to 260%, and the repayment from 19 billion dollars to 24 billion dollars. The debt-service ratio is said to have exceeded 40%.[32] Moreover, the debt has continued to increase, and Table 1 shows that the total accumulated debt was 190 billion dollars in 1986, 220.3 billion dollars in 1987, and 230 billion dollars in 1988, while its ratio to GDP was 62.3%, 71%, and 81%, its ratio to exports was 290%, 309%, and 314%, and the debt-service ratio was 40.2%, 36.8%, and 40.0% during the same period.[33]

As for this debt problem, the declaration mentions some countermeasures by Africa, advanced nations, and international organizations. The most important point is that it suggests stopping individual negotiations between each nation and aid-providing countries or international organizations, which tend to make standpoints of the African side weaker, and to make a forum of representatives from both sides to discuss the problem. In reality, however, African nations have done nothing for unity.

It will be necessary to stop the import of food, to make efforts by themselves, and to avoid the outflow of hard currencies by exploiting regional trades, which can be done even under the present situation.

NOTES

1. The World Bank, *Sub-Saharan Africa, From Crisis to Sustainable Growth — A Long Term Perspective Study,* Washington, The World Bank, 1989, p. 2.
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3. ibid, pp. 19 – 20.
4. Abebayo Adedeji, "Africa's Debt Problem," *African Journal of Political Economy,* No. 5, 1990, p. 2.
5. The World Bank, *Accelerated Development in Sub-Saharan Africa: An Agenda for Action,* Washington, The World Bank, 1981, p. 7.
6. OAU, *Lagos Plan for Action for the Economic Development of Africa 1980 – 2000,* Geneva, The International Institute for Labour Studies, 1981, p. 5.
7. ibid, p. 8.
8. ibid, p. 128.
9. UNICEF, *Adjustment with a Human Face — Protecting the Vulnerable and Promoting Growth,* Oxford, Clarendon Press, 1987, p. 228.
10. The World Bank, Development Committee, *Protecting the Poor during the Periods of Adjustment,* Washington, D.C., 1987, p. 27.
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12. ECA, *African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation,* E/ECA/CM, 15/6/Rev, 3, 1989, p. 20.
13. ibid, p. 20.
14. ibid, p. 24.
15. ibid, p. 24.
16. ibid, p. 25.
17. ibid, p. 26.
18. ibid, p. 53.
19. The World Bank, *Sub-Saharan Africa — From Crisis to Sustainable Growth,* Washington, D.C., 1989, pxi.
20. ibid, p. 2.
21. ibid, pp. 14 – 15.
22. ibid, p. 15.
23. Ernest Harsch, "An alternative necessitated by unremitting decline," *Africa Recovery,* Vol. 3, No. 1 – 2, October 1989, p. 31.
24. Trevor W. Perfitt, "Lies, Dammed Lies and Statistics: World Bank and ECA Structural Adjustment Controversy," *Review of African Political Economy,* No. 47, p. 132.

25. Salim Lone, "Africa's adjustment concerns gaining support," *Africa Recovery,* Vol. 3, No. 1–2, Oct. 1989, p. 28.
26. ibid, p. 24.
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30. Koji Hayashi, ed., *Afurika-enjo to chiiki-jiritsu* [Economic Assistance to Africa and Regional selfreliance], Ajia-Keizai-Kenkyusho (Institute of Developing Economies), 1988.
31. ECA, op. cit.
32. OAU, "African Common Position on Africa's External Debt Crisis," *African Journal of Political Economy,* No. 5, 1990, p. 71.
33. Philip Ndegwa, "Solution of Africa's External Debt Crisis within a Framework of Recovery and Growth," *African Journal of Political Economy,* No. 5, 1990, p. 11.