BLAME FOR AFRICA'S CONTINUING ECONOMIC DECLINE, THE AUTHORS ARGUE, CAN BE LAID AT THE DOOR OF THE WORLD BANK, THE INTERNATIONAL MONETARY FUND, AND THE WESTERN DONOR NATIONS THAT HAVE ENTHUSIASTICALLY SUPPORTED THEIR STRUCTURAL ADJUSTMENT PROGRAMS. THE FAILED POLICY MUST BE HALTED, THE AUTHORS CONTEND, AND ECONOMIC REFORM LENDING REORIENTED TO STRENGTHEN PRODUCTIVE ACTIVITIES OF THE POOR—PARTICULARLY WOMEN, WHO DO 80 PERCENT OF THE AGRICULTURAL WORK IN AFRICA—AND TO ENSURE SMALL PRODUCERS ACCESS TO CREDIT AND INPUTS.

By DOUG HELLINGER and ROSS HAMMOND

Debunking the Myth

One of the great myths of the past decade is finally being put to rest.

Last year, U.S. Treasury Undersecretary Larry Summers presented to the House of Representatives evidence that poverty was sharply increasing in Africa. Not only was the number of poor people on the rise, but those already poor actually were becoming poorer. The Treasury provided statistics for this tragedy that unfolded during the 1980s, the so-called "decade of adjustment" in which the World Bank and the International Monetary Fund were fully engaged in dictating economic policies across the continent.

News of Africa's economic decline may not have come as a surprise to most people. And the Treasury's acknowledgment of reality was small consolation to the people of Africa and to the many African governments, NGOs, and UN agencies that had been citing, for over a decade, the damaging effects of structural adjustment. But the significance of Summers' submission to the Congress was that it is the Treasury that has been the greatest proponent of adjustment programs and that it will be the U.S. government, and clearly not the Bank and IMF bureaucracies, that will have to signal a shift in direction if fundamental change is to come to the international financial institutions (IFIs).

The Treasury is, in fact, now quietly discussing the need for a change in policy, at least in the case of Africa. As a step in that direction, the U.S. government, under pressure from NGOs at the United Nations Summit for Social Development preparatory committee meeting in New York in August, recommended to the Secretariat that the formulation of structural adjustment programs be opened to the active participation of "representative organizations of civil society." At least lip-service was also paid to integrating gender-equity and poverty-reduction objectives into these policy programs and to increasing small-farm productivity to satisfy local food needs.

At this point, these are but words on a page. Will they be translated into action? To do so would constitute a shift in emphasis, if not course, in U.S. foreign policy. It would also eventually require fundamental turnabouts in institutions that have been so intimately involved as architects of Africa's economic disaster that they have gone to great lengths to mislead the public and policy-makers about the reality and causes of the crisis.

The Bank's Tale

Although the IMF, the U.S. Agency for International Development (U.S.AID), and other donors have also

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been involved in the Africa cover-up, it was the World Bank that led the way. Last March, the Bank released yet another in a series of public relations initiatives entitled, *Adjustment in Africa: Reforms, Results, and the Road Ahead*. In this volume, it claims that adjustment is working in Africa and that countries that have most closely followed its advice have grown the fastest, directly contradicting even its own internal 1992 draft study entitled, "Why Structural Adjustment Has Not Succeeded in Sub-Saharan Africa."

Given the Bank's sorry record on the continent, this most recent release and its companion case studies were not well-received. The BBC questioned the Bank's self-interest in evaluating its own policy prescriptions, while *The Economist* accused the Bank of "complacency" on the issue of poverty and stated that it "desperately needs to see success," whatever the reality on the ground.

One of the strongest reactions came from the British charity, Oxfam, which condemned the report as a "blend of half-truths, over-simplifications, and institutional propaganda" and claimed that the Bank "has lost any claim to intellectual and political credibility." Last year, Oxfam condemned the "fundamental failure" of structural adjustment programs in Africa "either to create a platform for sustained economic recovery, or to enable the poor to benefit from market reforms." Even where adjustment programs have led to modest increases in economic growth, says Oxfam, "there is no evidence that they have substantially reduced poverty levels, or reduced trade deficits and inflation to sustainable levels. Moreover, their 'success' has been based on substantial aid transfers, rather than on investment-led recovery."

Of the six countries that the Bank now puts forward as adjustment "successes"—Ghana, Tanzania, the Gambia, Burkina Faso, Nigeria, and Zimbabwe—four had deteriorating rates of investment and two had negative GDP growth rates during their respective adjustment periods. *Adjustment in Africa* also conveniently ignores the social disaster in countries like Tanzania and the full effect of large donor aid infusions in Ghana. In addition, it takes credit for gains in Zimbabwe and Burkina Faso, despite the fact that they undertook their own adjustment processes that in key areas contradicted the Bank's advice.

Furthermore, throughout the report, the World Bank claims that the failure of adjustment in certain African countries was due to the lack of government compliance in carrying out loan conditions. However, only 21 of the 241 adjustment loans made to African countries during the 1980s were abandoned or terminated before completion, and two major Bank evaluations of adjustment lending have reported that 75 percent of all program conditions had been fully or substantially implemented in Africa during that decade.

A Grassroots Look at the Adjustment Record

The Bank financed, mainly through the soft-loan window of its International Development Association (IDA), some 136 adjustment programs in Africa between 1982 and 1992 at a total cost to taxpayers of some $13 billion. What did we get for our money?

While the Bank claims that, in those countries undertaking adjustment, producer prices increased substantially, these benefits have gone primarily to farmers producing a surplus and to large-scale commercial farmers, according to Unicef. Millions of poor, small-scale farmers, on the other hand, have been hard hit by tight credit policies, cuts in extension services, and the withdrawal of subsidies on agricultural inputs under adjustment programs, as well as by the deterioration of roads and other infrastructure. For the landless poor, rural wages have generally been stagnant and purchasing power has been reduced by higher food prices. According to Unicef, adjustment programs have "intensified the inequality of incomes within both the rural and the urban sectors."

Domestic food security has also decreased markedly. In countries like Burkina Faso and Sierra Leone, which used to be self-reliant in rice, sorghum, and millet, the excessive reliance on primary commodity exports and cheap food imports has meant that domestic food production has dropped drastically. Sudden and undifferentiated trade liberalization pushed by the Bank in Africa has often devastated local food producers, as well as local industries. In Ghana, one of the Bank's star pupils, the government has complained of the damage caused to local rice farmers by the boom in cheap imports that followed import liberalization.

Many African countries now rely more than ever on exporting such primary products as cocoa, coffee, and cotton to Europe and North America for revenue that keeps diminishing as commodity prices plummet in world markets. In addition, currently only one-tenth of the final value of Africa's coffee, and cocoa exports stays in the region. Oxfam, in a report last year, condemned the IFIs for "encouraging countries producing a narrow range of commodities to expand production simultaneously, for already saturated markets characterized by relatively fixed levels of demand." Oxfam suggests instead a policy of increasing investment in local processing, which would create jobs and income and allow Africa to gain a greater share of the value of its exports.

The Social Side of Adjustment

The record on the social side of the ledger is not much better. The Bank fudges its figures to claim that social spending did not decline in Africa during the 1980s, but Unicef, a much more credible source in this area, states otherwise: that government spending on education fell by more than 50 percent on the continent during that period; that real per capita spending on health had dropped below the 1980 level in over half of sub-Saharan African countries; and that in the "success story" of Tanzania, real per capita expenditures on both education and health were cut basically in half. The quality of education across the continent also declined as the number of teachers fell, salaries failed to keep up with inflation, and spending on school construction and other educational infrastructure dropped.

The World Bank has actively promoted the introduction of user fees for schools. In Kenya, primary school education, once free, will now cost about $44 per month, while monthly fees in government secondary schools have doubled from $90 to $180. These costs are well beyond the reach of most parents in a country where the minimum monthly wage is $24 and the average per capita income is approximately $350 a year. The increase in fees, as well as the need for child labor due to the economic crisis, has forced families across the continent to pull their children from school, leading to a drop in school enrollment. The percentage of children enrolled in primary school in sub-Saharan Africa fell from 80 percent in 1980 to 69 percent in 1990.

User fees for health services have also been promoted by the Bank. Oxfam reports that since Zimbabwe's government introduced fees at health clinics, three times as many women at Harare central hospital have died in childbirth. Spending cuts under adjustment programs have also led to a brain drain of doctors, absenteeism, inefficiency, and corruption in the health service in such countries as Uganda. As a result, communicable diseases like yellow fever, malaria, and cholera, which until recently were believed to be under control, have re-emerged with a vengeance on the continent.

By the year 2000, according to Unicef predictions, African children will account for 39 percent of infant deaths worldwide, compared with 29 percent in the mid-1980s. In 1990, an estimated 4.2 million African children under the age of five died as a result of malnutrition-related disease. Another 30 million were underweight. Infant mortality rates in Africa are 50 percent higher than the average for low-income countries and double that of the industrial world. While the World Bank remains silent on the issue, Unicef reports that undernutrition in Africa rose from about 22 percent in 1979-81 to 26 percent in 1983-85 and that tens of millions are affected by poverty-related health problems, including AIDS.

In its 1993 annual report, the UN Conference on Trade and Development (UNCTAD) stated that structural adjustment programs had been poorly designed and that the policies needed to be revised considerably "if the rise in poverty is to be reversed and the marginalization of Africa halted." It noted that per capita incomes on the continent were well below 1970 levels and that, given current trends, it would

take 70 years to double incomes. The Bank itself acknowledges that even in its "success story," Ghana, "the average poor Ghanaian will not cross the poverty line for another 50 years."

The World Bank's Lost Credibility

Meanwhile, the best the Bank report can say on the subject of poverty in Africa is that the "majority of the poor are probably better off and almost certainly no worse off." It admits, however, that "Africa is the only part of the world where the number of poor is increasing" (itself an arguable assertion), but then prescribes more of the same medicine.

This mumbo-jumbo of contradictions, illogic, and deceptive assertions in the Bank's report reaches its nadir in a sub-section entitled, "Adjustment-Led Growth Has Probably Helped the Poor." "This faster [economic] growth *in all likelihood* reduced the deterioration in the conditions of the poor," the report hypothesizes. "Incomes have been rising (or not declining as fast), so the depth of poverty is *likely* to have been less severe, and the absolute number of people falling below the poverty line *may have been reduced somewhat*. Moreover, the gains from growth *may well have benefitted* the poor, and especially the rural poor, disproportionately" (emphasis added).

Not having bothered to talk to the very people who are living with the development disaster it has helped to create in Africa, the Bank goes on to say that it is "a sorry state of affairs when we know least about poverty in the region where poverty is most a problem." A sorry state indeed. Faced with a failed policy that carries with it the wasted investment of billions of dollars and the tainted reputations of scores of bureaucrats, economists, and academics, the Bank is continuing to cling to the fantasy that its policies are working, while suffering in Africa has continued and intensified in the 1990s. As one Bank official told *The Economist*, "Knowing what the truth is, self-deception had to become a way of life."

A Call for Fundamental Change

In a major study released two years ago, Unicef stated that adjustment policies in Africa had "failed" and called for a new development strategy "more egalitarian and democratic than the policies adopted by most post-independence governments or currently favoured by the IMF and the World Bank." The Bank's own 1992 draft report also made the observation that "the peculiar structural characteristics of African economies may require altering the standard Bank reform programs in fundamental ways."

Hence, the first step in improving multilateral aid in Africa is to put a halt to World Bank and IMF structural adjustment programs as currently constituted. Next, there must be a reorientation of the economic reform lending of the international financial institutions to address the root causes of poverty and to support equitable, sustainable, self-reliant and participatory development. To be effective, such lending must serve to strengthen a wide variety of productive activities of the rural and urban poor, particularly women, who grow the food and do 80 percent of the agricultural work on the continent. It should promote policies that ensure small producers access to affordable credit and other critical inputs and protect them from unfair competition so as to allow an expansion of local productive capacity. In other words, the IFIs should help level the economic playing field, both domestically and internationally.

On their 50th anniversary, these Bretton Woods institutions are being challenged by Africans and Northerners alike to break with the past and finally support policies that increase rather than diminish local self-reliance and broad-based domestic demand, promote equity in the development process for women and other marginalized groups, enhance workers' rights, and ensure environmental sustainability. With government budgets tight everywhere, they should make key investments in much-needed social and physical infrastructure and particularly in women's health, education, and economic opportunities.

The answer does not ultimately lie, however, in short-term, poverty alleviation programs and social investment funds. These programs are palliatives which do not address the flaws in the economic model and are currently being promoted by the Bank in order to take the pressure off their failed adjustment programs. They will eat up money rapidly if the basic development model that is creating new poverty is not changed. Rather than throw good money after bad, investments need to be made in the poor themselves, in the activities they undertake, in their education and health, in their wage-earning potential—and in the organizations of the poor and their social movements so as to enable them to negotiate opportunities and changes in their respective societies.

Mechanisms of accountability must be established and citizens should have full access to the information necessary to make effective input into, and otherwise participate in, the design and evaluation of all programs, including the economic reform programs supported by the IFIs. These programs, in particular, must emerge from and be built upon, rather than undermine, the democratic participation of local populations. And they must reflect—if Africa is to escape from its current crisis—the knowledge, insights, and priorities of the broad array of constituency groups living and working at that level.

If the World Bank is not up to this challenge, perhaps it is time to turn over IDA—and most of the Bank's Africa program—to someone else who could manage it more effectively for the benefit of the people of Africa. ○