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Bettina Musiolek*

Structural Adjustment and African Alternatives

Politicians and economists in sub-Saharan Africa claim that the eighties were a lost decade for Africa. Statistics justify this statement and prospects for the future are uncertain. Will the structural changes presently taking place in the world economy have a positive influence on development in sub-Saharan Africa? Are there helpful lessons to be learned from the experiences of eastern Europe?

The situation in Africa has been the subject of discussion by various organizations, institutions and individual economists, the major results perhaps being the World Bank's Report on Sub-Saharan Africa 1989, "From Crisis to Sustainable Growth – A Long-Term Perspective Study", and the UNECA paper of the same year, "African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation (AAF-SAP)". The various views expressed differ basically in the role they impart to structural adjustment within contemporary Africa. Some argue that structural adjustment programmes (SAPs) have created Africa's crisis. Others maintain that SAPs correctly address the real problems.

In AAF-SAP it says, "The main thrust of AAF-SAP is its holistic nature in which the macro-economic framework, the policy directions and measures, and the implementation strategies take into account the dynamic relationships existing among all major elements related to adjustment with transformation. Thus, the dichotomy between structural adjustment and long-term development is eliminated. The alternative framework also puts great emphasis on the full mobilization and efficient utilization of domestic resources and the need to establish an enabling environment for sustainable development and to adopt a pragmatic approach between the public and private sectors. Above all, at the centre of the alternative framework is the human dimension – the recognition that it is only through the motivation and the

empowerment of people as well as the ensuring of the equitable distribution of income that development can take place on a sustainable basis."¹ And, "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. Such an alternative will have to take into consideration, among other things, the structure of production and consumption and the people who are the main actors in the development process."²

It is doubtful whether what has happened has been so different from what could have happened without SAPs – simply because there was no choice. In our opinion implementation of structural adjustment policies is the political expression of the economic situation. Any improvement of Africa's predicament is dependent on changes in the world economy. This paper will point out some of these changes.

Whilst external conditions are important for any national economy, development can only be achieved by internal forces. No external support or investment can substitute for internal efforts. That is why it needs to be emphasized that whatever the reasons for underdevelopment in Africa were – whether it was the weather, terms of trade, the colonial legacy or policy

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¹ African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation, UNECA 1989, p. iii.

² Ibid., p. 25.

deficiencies – economic transformation and recovery has to be done by Africans themselves. The decisive role of the people in development is the main focus in the African Charter For Popular Participation In Development And Transformation³, the heart of the AAF-SAP as well as the point of departure for “new generation SAPs”. But how can people be prompted to actively participate in economic transformation? In answering this question the various concepts differ.

This paper tries to use the east European experience by examining certain theses and points more closely. It is asserted that there is a need for an in-depth analysis of people's motivation for development instead of only discussing macro-economic data and financial imbalances or politically assessing certain steps of governments or organizations. The paper seeks to establish whether some economic measures hinder or promote people's initiative. In doing so it provides an attempt to contribute to the ongoing debate on the modalities of socio-economic development in sub-Saharan Africa.

Changes In the International Set-up

Important indicators of sub-Saharan (excluding South Africa and Namibia) Africa's stand in the international economic community are a steadily declining share in world trade, less international capital being attracted to Africa and a deepening gap between sub-Saharan Africa and the rest of the Third World. Official development aid tends to stagnate and intra-African economic co-operation is seriously limited by economic and political factors although there are signs of fruitful bilateral economic relations, for instance between transport companies in Tanzania and Kenya.

But what are major alterations in the international environment?

□ Industrialized countries are limiting and reducing the consumption of raw materials by using various methods:

- economical use of materials and energy (taxes, prices);
- introduction of energy and material saving technologies;
- application of new technologies to replace traditional materials (biotechnologies).

The strategy of textile industries, for example, is firstly, to monopolize cotton production in order to ensure a continuous supply and secondly, to find new artificial fabrics incorporating the advantages of both conventional

chemical and natural ones. This aims at becoming independent of the natural product with all its uncertainties.

□ Diversification and integration in product developments have been leading to a more knowledge-intensive production process in which the infrastructure as a whole plays an exceedingly essential role. For the location of production capacities, an advanced infrastructure including a communications and information network and research institutions is of increasing importance.

Both tendencies lessen the importance of the Third World and particularly sub-Saharan Africa as a raw material or cash crop producer and as a location for future manufacturing capacities. In addition, the changes in eastern Europe attract goods and – to a smaller extent – capital from the West and thus further diminish incentives for capital to leave already advanced areas. Excess capital is not brought to sub-Saharan Africa and the availability and mobility of capital has deteriorated. The comparative advantages are less attractive. The same applies to externally deposited African capital. Eastern European business is boosting civil industries chiefly in western Europe and Japan and shifting the periphery of the First World to countries like Bulgaria and Romania. The investments in eastern Europe, however, would not have gone to sub-Saharan Africa if there had been no change in Europe, but would have remained in the West. Furthermore, the transformation of state economies into market economies has already increased the pressure on the Third World to change as well. The capitalist social market economy has proved to be the most efficient and stable economic system at present.

Changes In Global Issues

Dialectically there are, at the same time, tendencies running counter to the further marginalization of the Third World which arise from global issues. The Cold War has damaged the future potential of the economies of the superpowers and its other main actors. Nowadays wars are more successfully waged in the economic field. Or in other words, international relations have got down to business. The eastern European transformation and the Gulf War are both uncovering and speeding up this process. Countries still pursuing militarily aggressive policies can only be on the loser's side in the long run – even and particularly if they win wars militarily. This should be alarming for developing countries as their arms market seems to be still expanding – accelerated by arms exports due to the reduction of these from Europe.

International economic stability is still very fragile though political and economic crisis management has

³ African Charter For Popular Participation In Development And Transformation, Arusha 1990.

improved considerably as seen in German monetary and economic union. On the one hand, economic stability in Europe is under strong pressure, but on the other hand, hardships are growing manageable and being accommodated.

There is another reason that international economic stability is more endangered and challenged now than ever. It is endangered not only by war, but also by the issue of underdevelopment and environmental degradation – both of which are global problems. On top of that, there is no solution for the environment without overcoming underdevelopment – one of the main issues in UNCED's preparation.

"Delinking" from the world market is not feasible because of interdependence in the world. This was most evident in the centrally planned economies of eastern Europe, where it was tried to achieve technological independence at very high cost, preventing themselves eventually from developing.

What chances could possibly be missed by delinking? There is, first, the simple fact that national and international markets are connected to keep pace with the technological progress manifested on the markets. Secondly, the strategies of transnational corporations have been modified. Take the very powerful Japanese trading companies as an example. They diversify and vertically organize their production structure and – for various political and financial reasons – establish manufacturing capacities in certain developing countries. Consequently technology is transferred to those countries as well as marketing and management know-how. In doing so, these companies ensure the country's ability to compensate imports with exports other than of primary goods. Furthermore those companies establish, for example, capacities for recycling worn-out cars (knock-out kits) within African countries (Toyota in Tanzania) which makes economic sense for Japanese and African companies. This process should be promoted but very carefully controlled by governments.

The AAF-SAP⁴ argues that, if the indigenous private sector is not strong enough to take over state enterprises, the transnationals will do so, and this will further deepen the country's dependence.⁵ There are reservations to be expressed about that in the light of the above-mentioned alterations. The multinationals no longer stick to the old patterns of exploiting developing countries because underdevelopment is also worsening their future profit prospects.

These are indicators of the need for a changing economic common sense which copes with underdevelopment and environmental degradation on a global level.

There are two co-existing tendencies emerging from the above-mentioned processes: on the one hand, growing interdependence and interaction in the world, and on the other, the increasing isolation of sub-Saharan Africa. These have to be clearly identified in order to draw appropriate lessons.

Privatization and Participation

In several reports and papers it has been emphasized that popular participation is the key issue of development. However, much more attention needs to be paid to the question of *how* labour can be mobilized in the productive sector, *how* people can be stimulated to work hard, *how* to make them interested in contributing to local markets, in diversifying the traditional product structure – to name just a few issues.

The prescriptions recommended, such as privatization, liberalization and a multi-party system should be further investigated, with reference to the problem of people's motivation. We wish to offer some historical and present comparisons to illustrate the point we are trying to make.

How does state property function in advanced market economies? In many cases and for more than a hundred years, the state has been investing in fields where private investment would not be profitable enough – for example infrastructure and more recently telecommunications and aviation. These are branches typically characterized by high capital investment, high expenditure for research and development, adverse impact of international competition, short depreciation periods and high overheads. As soon as those companies turn profitable and settle down, they will then be "reprivatized". This happened to BP, British Telecom, German Airbus – to mention just a few. In other words, the state is not forced to run its companies profitably. On the contrary, profitability is not achievable in certain stages and branches of the economy. Generally speaking the state has to ensure favourable conditions for private capital expansion which include a social security network, public education, some market protection preferably in the form of non-tariff barriers and – in the case of the EC – huge subsidies for the agricultural market. In newly industrialized countries the state has played an even more active part in industrialization.

Eastern Europe

How did public ownership work in the socialist countries of eastern Europe? It was designed not to allow any exclusive right to private ownership of certain means of

⁴ African Alternative Framework ..., op. cit., para. 60 e.

⁵ Ibid., para. 98 a.

production in order to avoid exploitation and to ensure care for the basic interests of all members of society. Moreover it was supposed to motivate workers – seen as collective owners. Its major deficiency was that it could not advance sufficient development of the productive forces because the people lacked motivation. They were anonymous owners and were not interested in the management and planning of their companies. Even those who tried to achieve improvements faced mounting bureaucracy, incompetent managers and rising ignorance which are inevitable in that environment. State enterprises turned out to be state monopolies or were dictated by the state planning administration. Although there was an extensive social system, social benefits were based neither on individual working performance nor on the performance of the national economy. The discrepancy between the social security network and the economic potential tended to widen. What was even worse was that people's initiative was paralysed. The democratic rights which existed according to the law were not exercised.

Accumulation Process in Africa

It might be additionally useful in this context to compare some aspects of the present situation in Africa with the original accumulation, with the time when market economies emerged in Europe:

- The condition for the original accumulation was that agriculture was efficient enough both to feed the existing population and to stand a major migration of labour to the towns. This is what many agricultures in sub-Saharan African countries cannot perform.
- The accumulation process in Africa cannot be carried out the way it happened 200 years ago because the latter process was very forceful and brutal. It now has to be managed and carefully controlled.
- Sources of accumulation were the surplus of smallholders, parts of the necessary product of wagedworkers (underpayment) and external sources. These sources are not automatically applicable under the present circumstances.
- During the original accumulation the commercial sector developed ahead of the productive sector, which was another condition for successful money accumulation. The surplus created in Africa and other sources of accumulation cannot be properly used because of exaggerated consumption, unproductive spending and inappropriate commercial infrastructure. (Lack of expenditure control and financial discipline by both managers and workers were identified as reasons for exceeding budgets in the Board of Internal Trade in

Tanzania, a major commercial institution in this country, in its corporate plan 1987/88.)

Having said that, I consider it an illusion to expect that only full democracy and participation will make it "possible to persuade people to accept sacrifices and give their best energies to the task of transformation".⁶ The way participation is dealt with in The African Charter For Popular Participation and the AAF-SAP makes a fetish of it. Democracy and participation do not mean anything to people unless they are competent, interested and recognized in their work, which cannot be achieved by persuasion. Demands like equitable distribution of income, maintenance of equity and justice⁷ seem to be unrealistic considering that there is no financial discipline in a major commercial institution and the social circumstances compel judges to be corrupt.

The AAF-SAP describes people's well-being as a condition for development.⁸ It twists the causal relation. Well-being and high living standards depend on economic development – not vice versa. If an economy cannot afford fringe benefits and high expenditure for public services, these benefits necessarily work counterproductively, as shown in eastern Europe. Efforts at economic transformation and adjustment are therefore the first act of participation. Interest in work and in the progress of their firm makes people control the use of economic power and participate in development. Appeals for participation will not be effective as long as people's economic initiative is paralysed by mounting bureaucracy, incompetence, deliberate limitation of communication facilities' use etc. Whilst bureaucracy also exists in the developed world, it does not work counterproductively to that extent.

We would therefore define participation as the exercise of the right to influence decision-making by expressing various economic and political interests. Different interests should be appreciated as driving forces and not as constraining and evil. It is in this sense that designing policies "that serve the interests of all" is not feasible. The same applies to the problem of income distribution. It cannot be done equitably because the contribution to development varies as to people's position, qualification, abilities etc. Increasing social differentiation is inevitable, it is an incentive – and it is not the same thing as discrimination because of gender or origin. In conclusion, it must be stressed that there must be economic roots to any participation: without strong economic forces people remain lethargic.

⁶ Ibid., para. 50.

⁷ Ibid., para. 98 b.

⁸ Ibid., para. 35.