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Uka Ezenwe*

Regional Dimensions of Structural Adjustment in West Africa

Structural adjustment programmes and regional integration schemes have been pursued simultaneously in West Africa for about a decade now, yet no serious systematic effort has been made by any agency or donor to explore effective ways in which the two might be interwoven and made mutually reinforcing. Professor Ezenwe examines the interrelationships and apparent conflicts between these two development strategies.

Although extensive literature exists on national structural adjustment programmes (SAPs) in Africa, the regional dimensions of the subject have not received the serious consideration they deserve. African countries place great emphasis on regional integration arrangements (RIAs) as the alternative development strategy, hence the need to strengthen them. Surprisingly, the on-going SAPs in Africa are being pursued as separate entities without exploring their interrelationships with regional integration. Indeed adjustment, however vigorously pursued, is unlikely to have a significant positive impact on growth and development in the African setting in the absence of more substantial progress with regional integration.

West African countries, like most other African states, entered the 1980s with a serious economic crisis which culminated in pronounced disequilibria in both the domestic and the external sector. The combined effects of falling commodity prices, deteriorating terms of trade, persistent balance of payments deficits, increasing debt burdens, rapid population growth, drought in some parts of the region and declining domestic output created a gloomy picture that needed to be addressed. In an attempt to reverse the negative trends caused by the crisis, these countries embraced the IMF/World Bank-inspired economic reform policies and programmes otherwise referred to as Structural Adjustment Programmes (SAPs) the key aims of which were the attainment of financial stability and economic recovery.

The adjustment programme, which started in Senegal in 1980, spread to Ghana and Togo in 1983,

and then to the rest of West Africa towards the end of the 1980s. With the notable exception of Cape Verde, all the countries of the sub-region have pursued SAP at different speeds, with different degrees of intensity and different levels of foreign agency involvement every since.

Similarly, the conventional integration schemes in the region emerged during the 1970s. The all-embracing Economic Community of West African States (ECOWAS) was established in 1975, the Mano River Union (MRU) in 1973 and the West Africa Economic Community (CEAO) came into existence also in 1973. Recently, of course, the CEAO and UMOA (West African Monetary Union) have been merged to form the West African Economic and Monetary Union (UEMOA). The emergence of UEMOA is the outcome of the re-alignment of francophone West African interests in 1994 which saw the demise of the CEAO.

Thus, of the 16 member states of ECOWAS, ten have allegiances to other sub-regional groupings. The MRU embraces Guinea, Liberia and Sierra Leone, the CEAO pulled together Benin, Burkina Faso, Cote d'Ivoire, Mali, Mauritania, Niger and Senegal; the remaining 6 ECOWAS states of Cape Verde, Gambia, Ghana, Guinea Bissau, Nigeria and Togo had no other sub-regional trade grouping until recently when Togo joined UEMOA (see Table 1).

Unquestionably, SAPs and RIAs have been common features of West Africa since the 1980s. But they have largely operated as parallel rather than complementary or mutually self-supporting schemes. No serious attempt has yet been made to link SAPs with RIAs within either an intellectual framework or an operational paradigm which is holistic, coherent and consistent. The World Bank's classic entitled "Sub-

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Table 1
Membership of Main RIAs in West Africa

ECOWAS	CEAO	MRU	UEMOA
Benin	Benin	Guinea	Benin
Burkina Faso	Burkina Faso	Liberia	Burkina Faso
Cape Verde	Cote d'Ivoire	Sierra Leone	Cote d'Ivoire
Gambia	Mali		Mali
Ghana	Mauritania		Mauritania
Guinea	Niger		Niger
Guinea Bissau	Senegal		Senegal
Côte d'Ivoire			Togo
Liberia			
Mali			
Mauritania			
Niger			
Nigeria			
Senegal			
Sierra Leone			
Togo			

Note: ECOWAS = Economic Community of West African States
CEAO = West African Economic Community
MRU = Mano River Union
UEMOA = West African Economic and Monetary Union

Saharan Africa: From Crisis to Sustainable Growth”¹ placed considerable emphasis on regional integration as a means of overcoming the deficiencies of fragmented and small national markets which were economically unviable.

Yet the IMF/World Bank Group (WBG) adjustment programmes in Africa have contained little to translate those worthy thoughts into operational reality. The Cross-Border Initiative (CBI) for Eastern and Southern Africa, supported jointly by the WBG, the European Union (EU) and the African Development Bank (ADB), was designed to provide a framework for inducing greater regional interaction in trade and investment. But that purpose has not been served in such a way as to enable other regions to adopt it. On the contrary, the linkage between CBI initiatives and adjustment efforts remains fuzzy.

Similarly, a regional adjustment programme (RAP) was attempted in the case of the customs and economic union of Central Africa (UDEAC). The proposed UDEAC-SAP aimed at three main objectives:

- ☐ to protect subregional economic activities,²
- ☐ to generate fiscal revenue to meet the specific needs of each country, and
- ☐ to promote intra-union trade.

However, this attempt ended in the same way as it had begun. And it has not been repeated elsewhere, despite the recognised need and frequent calls to do

so.³ As Mistry succinctly put it, “There is no example of a sub-regional arrangement in Africa which is sufficiently tight, with an institutional structure to match, which permits negotiating and enforcing typical adjustment-related, policy-conditionality on a regional basis”.⁴ For this and other reasons, RIAs and SAPs have invariably been pursued throughout Africa as two separate and separable initiatives, which have failed up to now to deliver development. It is quite conceivable that the artificial separation of RIAs and SAPs in this fashion may have harmed the cause and content of both, especially in Africa. Surprisingly, the Bretton Woods twins, which exercise a virtual intellectual monopoly over matters concerning adjustment, seem to see things differently.

For them, SAPs are clearly aimed at liberalising economies, removing structural constraints to their openness, and introducing market discipline in price signalling. By so doing, they are supposedly making subject economies more agile, resilient, internationally competitive and therefore automatically responsive to accommodating ongoing changes in the external sector. Conversely, the RIAs, given the preferences they accord to regional partners over non-regional ones, may actually dilute and compromise the strength of SAP medicine, which, after all, is aimed at making African economies more competitive in the international (and not just regional) marketplace. However, instinct and empirical evidence both suggest that such loose thinking based on spurious assumptions leads to seemingly obvious conclusions, which may be facile and contradicted by reality.

SAPs in West Africa

As noted earlier, West African countries have, over the last decade, been subject to intense economic and social pressures usually associated with macro-economic stabilisation and structural adjustment programmes promulgated by the IMF and WBG. After several years of economic reforms, however, West African economies have only stabilised at a very low level equilibrium trap. Real average growth rate for the

¹ The World Bank: Sub-Saharan Africa: From Crisis to Sustainable Growth. A Long-term Perspective Study, Washington, D.C. 1989.

² The World Bank: Aid-Memoire on the Structural Adjustment Programme for UDEAC member states, August 1990.

³ The World Bank: Sub-Saharan Africa..., op.cit.; P. Robson: The Economics of International Integration, London 1993.

⁴ P. S. Mistry: Regional Dimensions of Structural Adjustment in Southern Africa. Paper presented at the FONDAD Conference on Regional Integration in Africa, Johannesburg, South Africa, February 8th, 1996.

entire region stood at 1% between 1980 and 1993. The living standard of the peoples of ECOWAS countries continues to deteriorate, with per capita income dropping from US \$ 630 in 1980 to US \$ 378 in 1993. Indeed, based on individual case studies, most of these economies are yet to show real signs of recovery.⁵

The experiences of these countries vary. Several countries (including Burkina Faso, The Gambia, Guinea Bissau, Cote d'Ivoire, Mali, Senegal, Mauritania and Niger) have had one or more IMF /WBG financed SAPs implemented over a specified time-frame with their adjustment efforts being far from successful or over. Perhaps Ghana and Benin can be cited as examples of partial success in the sense of restoration of overall growth. But Ghana is hardly a thorough-going success story as often claimed by the WBG. Among other things, Ghana now depends heavily on the donor community for the financing of its foreign exchange requirements.

Nigeria and Togo appear to have achieved very limited results so far. While their agricultural sectors have registered impressive performance over the SAP period, the converse is the case with their limping manufacturing activities. Again, Nigeria has in recent years brought its huge budget deficits under firm control through tight monetary and fiscal policies, but, in real per capita terms, consumption and income are now no higher than they were in the early 1970s before the oil boom. Basic social indicators place Nigeria among the 20 poorest countries in the world, with per capita income dropping from US \$ 1000 in 1980 to only US \$ 300 in 1993.⁶

Undoubtedly, the situation in Liberia and Sierra Leone cannot simply be attributed to the implementation of SAP. Armed conflict in these two countries has crippled their economies and brought economic and social infrastructures to a state of disrepair, especially in the case of Liberia. Major economic reconstruction would be required after their civil strife. Thus, while SAP has created a market-friendly environment in West Africa, it has so far failed to deliver economic development.

Since the mid-fifties the formation of regional economic groupings especially among less developed countries (LDCs), has become part of corporate development policy. In West Africa, a particularly fertile ground for cooperation and integration is provided by the existence of a large number of micro-states whose smallness and poverty pose severe constraints to development. Of the 16

states of West Africa 13 have fewer than ten million inhabitants and 14 are among the 45 countries in the World listed in the World Bank's World Development Report for 1995 as "low income" economies. For these countries, limited development alternatives render the recourse to economic integration a *sine qua non* for economic development. Even so, the experience of West Africa has been very disappointing so far.

This disappointing experience is partly traceable to the heroic assumptions of the traditional theory of integration and partly the consequence of the geopolitics of the sub-region. The problems of West African integration include, among others, inadequate transport and communications, lack of a common payments system, the existence of rival integration schemes, the lack of homogeneity of members, the negative impact of SAPs on zonal trade, and weak political will and commitment.⁷

West African integration movements generally focus on trade as the centrepiece but the present transport and communications systems of the region are woefully inadequate and unsuitable for intra-area trade. Although ECOWAS has almost completed the Lagos-Nouakchott trans-coastal and the Dakar-N'Djamena trans-Sahelian highways as well as the new regional telephone networks between the capitals of member countries, much remains to be done. The problems of landlocked countries, air, rail and shipping linkages are yet to be adequately addressed. Since trade expansion cannot take place without easy access to each other's markets, the poor performance of West African RIAs is easy to understand.

Besides, an unregulated, free market approach to regional trade, when, in fact, all the participating governments practise economic interventionism (even if to varying degrees) nationally, is an exercise in self-deceit. Regionally and nationally, free markets (as opposed to managed markets) are inconsistent with ensuring an acceptable division of gains and costs among members. Therefore, the absence of a mechanism for the equitable sharing of the gains and costs of an integration scheme can lead to its demise.

⁵ African Development Bank: African Development Report 1995.

⁶ The World Bank: World Development Report 1995, Oxford University Press, Oxford 1995.

⁷ Uka Ezenwe: ECOWAS and the Economic Integration in West Africa, London 1983; Uka Ezenwe: An Assessment of the ECOWAS Experience in Intraregional Trade, in: Proceedings of the 1995 Annual Conference of the Nigerian Economic Society, Lagos, June 1995.

This was precisely part of the reason for the collapse of the East African Economic Community, as most of the benefits accrued to Kenya at the expense of Uganda and Tanzania. Indeed, the ECOWAS tariff liberalisation programme has been stalled on this score because the least-developed members fear the prospective loss of customs duties, which normally account for a large share of their government revenue.

The absence of a common payments system is another factor that has militated against intra-ECOWAS trade expansion. A common payments system lubricates the growth of regional trade. It allows complete freedom of movement of payments by any one state to any other state and gives complete liberty to capital movements. But the ten West African currencies are not convertible into each other. However, if this has been a problem for ECOWAS, surely it was not an issue for CEAO. For, until 1994, when the CEAO metamorphosed into a new organisation, its members (Benin, Burkina Faso, Mali, Côte d'Ivoire, Mauritania, Niger, Senegal) had had a single currency for decades, yet this advantage did not lead to any significant growth in their intra-zonal trade. The CEAO's intra-zonal trade as a percentage of its total trade increased from 6.6% in 1970 to about 11% in 1992.⁹ This, no doubt, raises some questions about the strategy of trade-focused integration in the region. It seems unlikely that the newly formed West African Economic and Monetary Union will fare better than its predecessor as long as the members continue to relegate production to the background. Even if the trade-facilitating environment

is conducive, the volume of trade cannot increase without a corresponding increase in material production, all things being equal.

Yet another issue turns on the multiplicity of groupings in West Africa. The three main RIAs in the subregion (i.e. ECOWAS, UEMOA and MRU) have overlapping mandates, membership, objectives and operational activities. This overlap not only encourages wasteful competition and unhealthy duplication of effort in a region with an acute shortage of resources, but also militates against steady progress in trade expansion. Rationalisation has for some time been recognised as a solution to the lacklustre performance of the West African market integration movement. The case for rationalisation rests on:

- ☐ the need for central and coordinated development;
- ☐ the necessity to reduce costs in human and material terms;
- ☐ the elimination of wasteful duplication and costly competition;
- ☐ the eradication of opportunities for divided loyalty; and
- ☐ the urge to give integration a clear sense of direction and purpose.

Unfortunately, the strong political divide and the mutual suspicion between anglophones and francophones in West Africa have so far thwarted all efforts at rationalisation and coordinated trade.

Economic homogeneity, in the sense of the absence of strong sub-regional disparities, is another

⁹ Uka Ezenwe: *An Assessment ...*, op. cit.

Thomas Wernicke

Privates Bankvertragsrecht im EG-Binnenmarkt

The European Community is increasingly developing into a Community of commercially relevant civil law. The focus of scholarly and practical interest is now on the structures of the "European civil law" which is developing in the form of a synthesis of national and European law. This monograph provides a thorough analysis of the law applicable as regards the law of contract on the banking industry, and particularly the law on card-controlled payment transactions, which is a highly advanced sector. Guidelines for the future development of the law of contract in the banking industry are developed on this basis, and they have a general importance, which goes beyond this particular field, for the future shape of civil law in the Community can scarcely be overestimated. This volume offers both guidance for the practitioner of banking law and suggestions for scholarly discussion on this important field.

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factor that can facilitate rapid expansion of intra-zonal trade. ECOWAS is heterogeneous in terms of per capita income differentials, resource endowments, nation sizes and levels of development. Nigeria has over half the population of the whole area as well as almost half of the region's GNP. Its estimated population of 105 million in 1993 contrasts too sharply with Cape Verde's 370,000 inhabitants. This intimidating position of Nigeria engenders fear (albeit unfounded) among some members and it has affected the nature and pace of trade liberalisation in the region. To a lesser extent, Côte d'Ivoire and Senegal occupied a similar position within the defunct CEAO but the MRU members are fairly homogeneous, although civil strife has not helped the cause of their integration.

Finally, the introduction of SAPs in West Africa altered the economic environment in which regional integration was evolving. While SAPs focused on the removal of distortions and the opening of national economies to external trade, RIAs concentrated on opening the national markets of each of the member countries to regional competition. Thus, there has been a fundamental conflict between the ethos of SAP and that of interventionist regionalism, which can be avoided. For, once SAP is redesigned to incorporate regional dimensions, the schism between the two will disappear. Given the political will and commitment, the redesign of current SAPs to accommodate RIA's objectives should not be difficult to achieve.

Neighbourhood Effects on Growth

A recent study⁹ which lends credence to the argument of this paper is worth mentioning at this point. Based on cross-country regressions (growth over a long period tested against several variables), Easterly's and Levine's findings led them to suggest that, in Africa, geography could strongly influence the outcome of policies aimed at inducing growth. Specifically, the authors conclude that, "The relationship between particular policy indicators in one country and growth in its neighbours' economies suggests that there may be growth spillovers with strategic policy implications. While requiring much additional work to establish causal relationships... the results are consistent with the view that improving policies alone boosts growth substantially, but if neighbouring countries act together, the growth

effects are much larger. Specifically, the coefficients suggest that a policy change by a set of neighbours will have an effect on growth ... 2.2 times larger than if a single country had acted alone. Each country's neighbours' growth rate has a surprisingly large and statistically significant effect on each country's own growth ... This also works in the other direction: with a set of neighbours all simultaneously adopting bad policies like exchange controls leading to a high black market premium, the negative effect on all of them would be magnified."

Cross-country regressions, however, are subject to several shortcomings and may not always provide an adequate statistical foundation for any firm conclusions. For example, the definition and quantification of the variables themselves create problems; and coefficients in such regressions cannot be interpreted as elasticities. The authors are conscious of these limitations, hence they called for additional work to establish firm causal relationships; on how RIAs might influence SAPs in Africa (and vice versa).

Nevertheless, the authors' proposition has many instinctively obvious parallels. Just as development failure is concentrated geographically in Africa, development success has been concentrated in East Asia, the debt contagion was largely a Latin American affair, and the transition crisis is concentrated in the former Soviet Empire. Besides, what the analysis makes clear is that nationally focused SAPs in the region might perhaps have had more successful outcomes if they had, for one thing, been designed to take account of repercussions in neighbouring countries and, for another, attempted to achieve harmonised policy changes on a coordinated, regional framework rather than on an isolated basis. This is a challenge to the Bretton Woods twins and the adjusting countries of Africa.

Links Between RIAs and SAPs

Why might adjustment measures extended across a regional panorama have a multiplier effect beyond what can be achieved by confining reforms to national boundaries? Several reasons can be advanced to explain this possibility. Many have been explored in the literature¹⁰ but for the sake of continuity of the argument the more important ones are worth mentioning here.

Firstly, from an economic perspective, West African national boundaries, which were colonially imposed, are confining artifices which make little economic

⁹ W. Easterly and R. Levine: Africa's Growth Tragedy: A Retrospective, 1960-89, in: World Bank: Policy Research Working Paper 1503, Washington, August 1995.

sense. That alone is an important reason for looking to sub-regions rather than nation states in Africa as more appropriate objects for adjustment.

Secondly, in theory and practice, the success of SAPs depends heavily on how well markets are made to work and how the supply side of the economy responds to overdue changes in the relatively big prices.¹¹ In Africa, after more than a decade of adjustment, markets have not yet begun to function as efficiently as might be expected from experience in other continents, such as Latin America and Asia. Consequently, the supply-side response of African economies to adjustment has been disappointingly sluggish. In West Africa, economic integration offers the opportunity for market functioning to be enhanced significantly in markets for goods and services, as well as in factor markets (capital and labour), through enlargement and resultant economies of scale, improved factor mobility, and regional sharing of technology and of skilled human capital. Given the large number of micro states in West Africa, structural adjustment carried to its logical limit, in a compressed time-frame, would be beyond the capacity local industry could cope with.

Thirdly, in the capital-short economies of the sub-region, whose geography and topography makes them particularly inter-dependent on regional ecology, fiscal pressures as well as crowding out pressures on private investment can be substantially ameliorated by employing regional approaches to infrastructure development and service provision. Apart from substantial savings in capital costs, a regional approach to infrastructural investment in West Africa is likely to produce savings through the delivery of more cost-efficient services on an on-going basis, especially where electricity, telecommunications, and transport (surface and air) services are concerned.

Fourthly, the success of SAPs also depends on how quickly distortions and false price-signalling in major factors markets (especially for capital and labour) can be removed and these markets are made to work more efficiently.¹² In West Africa, that is more likely to happen if factor-price distortions are tackled on a regional rather than national basis. Indeed, the Treaty of ECOWAS provides for the free movement of persons, residence and establishment which, when

fully implemented, will bring about free movement of capital and labour in the region.

Fifthly, apart from Nigeria, and to a lesser extent, Ghana, Côte d'Ivoire and Senegal, no other West African country has the indigenous capacity to diversify its production and export base to the extent or as rapidly as is required for SAPs to show successful results by way of supply-side responses in the medium term. For that to happen, and for a reversal of the rapid increase in aid-dependency, which SAPs have unfortunately caused in their wake, West African countries need to attract foreign direct and portfolio investment in much larger quantities, and from more diverse sources (especially from Asia) than they have hitherto been able to do. Evidently, regional markets in the subregion present more viable investment opportunities for foreign direct investors than do fragmented national markets.

Sixthly, an important aspect of SAPs in Africa concerns structural change in production paradigms with an explicitly reduced role for the state in directly productive and infrastructural provision activities and a correspondingly enlarged role for the private sector. A key instrument for achieving the desired restructuring is privatisation. However, ambitious privatisation programmes in West Africa have run into difficulties. As the data in Table 2 show, only 5 out of the 14 countries for which data are available have privatised between 41% and 60% of their state-owned enterprises. Burkina Faso, Côte d'Ivoire, The Gambia, Mauritania and Senegal have privatised less than 10% of their state enterprises. Of the countries with large numbers of state enterprises, only Nigeria and Guinea have made some headway in divesting a significant number of these concerns.

The problems are largely caused by the absence of properly functioning capital markets with any depth or width; of an equity-ownership culture on the part of the general public, of an effective capital market regulatory framework, and of a sufficiently large pool of private domestic financial savings to absorb the transfer of ownership within the national economy. There is also much social and political opposition to ownership of privatised enterprises being concentrated in the hands of a few wealthy indigenous business groups not known for their probity, or in the hands of indigenous, non-African resident communities, or of a few foreign multinationals well-

¹⁰ African Development Bank: *Economic Integration in Southern Africa*, Vols. 1-3, Abidjan 1993; Uka Ezenwe: *ECOWAS and the Economic Integration ...*, op. cit.; J. Haariov: *Regional Cooperation and Integration within Industry and Trade in Southern Africa: General Approaches: SADC and the World Bank*, mimeo, February 1995; The World Bank: *Sub-Saharan Africa ...*, op. cit.

¹¹ P. S. Mistry, op. cit.

¹² Ibid.

Table 2
Divestiture of West African Public Enterprises
1986-1992

Percentage of Enterprises Divested	Number of Enterprises before Divestiture				No. of Countries
	0 - 50	51-100	101-200	more than 200	
0 - 10	The Gambia Mauritania Sierra Leone	Burkina Faso	Côte d'Ivoire		5 (36)
11 - 25				Ghana	1 (7)
26 -40	Niger		Guinea Nigeria		3 (21)
41 - 60	Guinea Bissau	Benin Mali Senegal Togo			5 (36)
Number of Countries	5(36)	5 (36)	3 (21)	1 (7)	14(100)

Note: Figures in brackets refer to percentages.

Sources: African Development Bank: African Development Report 1995, p.260.

established in the region. These constraints which are hard and binding at the national level could be considerably eased if a regional approach were taken to the privatisation of state-owned enterprises, relying on regional pools of technology, management and savings.

Seventhly, to a large extent, the success of SAPs is a function of how rapidly the adjusting countries can develop their own sources of free foreign exchange to ease balance of payments pressures without resorting to enhanced levels of already extraordinary concessional aid flows. What are the other options? Borrowing on commercial terms is not a viable option since very few West African states are creditworthy. And increased export earnings from primary commodities in the short run is equally problematic. Needless to say, West African countries are unattractive to non-regional foreign investors except in mining and plantation agriculture for reasons already mentioned. Undoubtedly, establishing a regional payments and settlements system would result in increased trade and output. Already, ECOWAS has the West African Monetary Agency (WAMA) whose function is to serve as the multilateral clearing mechanism for intra-West African trade. But it needs further development and teeth to be effective.

Finally, the attainment of food security is a *sine qua non* for successful structural adjustment.¹³ But the

geography of West Africa renders the achievement of food security in a purely national content difficult, especially for the drought-prone, semi-arid and landlocked countries of the subregion. The food security objective, however, becomes eminently achievable in a regional ECOWAS-wide context, provided the right macroeconomic, agricultural pricing and infrastructure input pricing policies are pursued in harmony by all countries of the region.¹⁴ Thus, a priori, it seems the achievement of food security is easier within a regional rather than a national context.

The foregoing reasons lead one to believe that appropriately structured RIAs can materially influence, if not positively enhance, the outcome of SAPs in West Africa. Of course, our assessment at this point must necessarily be impressionistic and qualitative rather than quantitatively verified. But it need not be any the less valid for that.

Key Features of SAPs

The design, content and sequencing of structural (and supporting sectoral) adjustment programmes have been examined in the vast literature generated by the Bretton Woods twins and economic academia at large, and will not be revisited here. Even so, the main ingredients of SAPs need to be highlighted in a summary form to guide our focus. Basically, SAPs are partly crisis-management programmes which are aimed at restoring the liquidity and solvency of economies which have become unviable, and partly

¹³ Ibid.

¹⁴ African Development Bank: Economic Integration ..., op.cit.

foundation restructuring programmes creating conditions under which normal economic life can be resumed and maintained.¹⁵ For that reason, SAPs are necessarily disruptive; but their dislocations need to be kept within social and political limits of tolerance for their effects to take hold.

As the debate about the effects and results of adjustment in Africa rages, it is important to observe that there is no theory of structural adjustment as such. As Mistry aptly put it, "The IMF and WBG often issue edicts, postulate relationships, and make *ex cathedra* assertions, about specific reforms, instruments, targets and policies, which sometimes appear to suggest that there might be. The only theories underlying SAPs are those of markets, trade, money, price, public finance, and (regrettably, to a much lesser extent) rational expectations, public choice and new development theory stressing the importance of human capital. All of these theories, taken together, involve the practice of sound macroeconomics at the level of the economy and sound microeconomics at the level of the sector and firm."¹⁶

However, the design of SAP is relatively strong on the macroeconomics of adjustment but relatively weak on its mesoeconomic (sector level) and microeconomic concomitants.

In essence, SAPs are designed to achieve two things: to get countries over the immediate crisis they face with the unsustainability of internal and external accounts through demand and debt management measures (i.e. macroeconomic stabilisation); and to create conditions for maintaining macroeconomic stability over the long term by transforming the productive and institutional structures of the economies concerned (i.e. structural reform). Macroeconomic stabilisation can be achieved quickly by three principal means: fiscal compression (for internal balance), devaluation of the exchange rate (for external balance), and tight monetary control connecting the two. Structural reform, on the other hand, requires removing non-market distortions, improving price signalling and making the behaviour of economic agents responsive to price changes. Restructuring is a long-term affair. In theory, the process of adjustment is never complete because

Table 3
Policy Reforms

Absorption Reduction	Switching Policies	Supply-side Policies
Fiscal policy	Exchange rate reform	Trade regime reform
Monetary policy	Labour & wage policy	Real sector reform Financial sector reform Public sector reform and privatisation Social and other policies

healthy and stable economies adjust continuously to changing internal and external market conditions. But the IMF/WBG-inspired SAPs are supposed to have a definite time-bound limit by which time the crisis is supposedly relegated to history. Such a scenario of course is not the experience of the adjusting countries in Africa.

Related to the time dimension is the third key feature of SAPs, sequencing. The wrong *sequencing* of adjustment measures and reforms (along with faulty policies or poor SAP design) can result in a vicious cycle of spiralling inflation, continued devaluation and rapid debt-accretion, coupled with a loss of control over public finances. Unfortunately, faulty sequencing, by its very nature, can only be discovered *ex post* not *ex ante*. When it is clear that sequencing may have been flawed the realisation usually dawns too late, after damage has been done: and, unfortunately too, the costs are invariably borne by the adjusting economy and never by the prescribing agency. There is no ready made recipe for sequencing (or even for the precise content of policy changes) which can be applied automatically to all countries. Country characteristics and initial starting conditions are critical factors in determining what needs to be done, how and when.¹⁷ It is mostly the case that what are often seen as implementation failures (invariably by IMF/WBG), when SAPs do not bear the expected fruit, are, in retrospect, failures of design and sequencing.¹⁸

Most SAPs usually require countries to undertake broad policy reforms aimed at: reducing absorption, improving switching from imports to domestic production and reviving growth through a supply-side response achieved by improving the structure of incentives. The specific policy reforms normally prescribed for achieving these three broad objectives are as shown in Table 3.

It needs to be emphasised that the specific policies and measures designed to implement these policy

¹⁵ Cf. P.S. Mistry, op. cit.

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ The World Bank: World Development Report 1995, op. cit.

reforms are intricately interrelated. At the macro-economic level everything tends to hang together: hence failure in any one area (fiscal, monetary or exchange rate) will usually have immediate and large repercussions in other areas causing the failure of the adjustment effort as a whole.

Absorption Reduction

The two major policy areas for reducing absorption under national SAPs are through fiscal and monetary policies. The focus of fiscal stabilisation in West African countries has generally been to achieve an immediate reduction in domestic demand (especially government and public sector demand) and to diminish resort to monetisation (i.e. an inflation tax) for financing the deficit. Fiscal adjustment on the revenue side has focused more on revising the structure of taxes to remove biases and distortions, increase tax neutrality, yield and buoyancy; and to widen the tax base, reduce producer and consumer subsidies (e.g. on food, electricity, education and the like). The experience of individual countries in the sub-region with respect to improvements in fiscal performance through nationally focused SAPs has been mixed. Although current reliable statistics are not readily available, the patchy information which is¹⁹ suggests that countries like Senegal, Mauritania, Mali, Ghana and Benin have managed to reduce their overall deficit. Others such as Togo, Guinea Bissau, Sierra Leone, Burkina Faso, and Niger have not made much appreciable progress. Côte d'Ivoire reduced its fiscal deficit from 12.4% of its GDP in 1993 to 10.4% in 1994 whilst Nigeria recorded a deficit of only 7.7% of GDP in 1994 from a height of 15.4% in 1993. In fact, the provisional figure for Nigeria in 1995 is put at 0.5%.²⁰

However, despite some encouraging national experiences, common regional approaches to infrastructural investment and service provision could ease public development expenditure and recurrent expenditure burdens thus contributing significantly to deficit reduction and fiscal stabilisation throughout the region. With respect to monetary policy, perhaps, a stronger case can be made for regionally focused adjustment than in the fiscal field. As noted earlier, common monetary arrangements would result in increased trade and output, reduction in intra-regional

transaction costs, freer intra-regional flows of investment capital and the pooling of international reserves.

Switching Policies

Related to the question of common payments arrangements is the issue of exchange-rate stability. Exchange-rate adjustment is a key balance of payments instrument for restoring equilibrium in a large current account deficit or resource imbalance. But West African economies, whose imports are largely price inelastic and whose domestic supply-side capacity is weak or non-existent, can hardly correct balance of payments disequilibria through devaluation. The failure of switching from imports to domestic goods with respect to tradables is often accompanied by tight fiscal and monetary policies to restrain the devaluation-induced inflation spirals, which are normally difficult to control and reverse. In view of the intractable nature of devaluation-induced inflation, a regional anchor capable of addressing the vicious circle of devaluation-inflation-deficit-monetisation-devaluation is called for. Perhaps a system similar to the Regional Exchange Rate Mechanism recommended for the Southern African region by the African Development Bank should be given serious consideration.²¹

In the case of labour market and wage policy, too, regional rather than national solutions appear to be the answer. Given the differences in per capita income levels, absorptive capacity of individual economies, working conditions and a network of family ties across much of the region, regional labour flows will persist in West Africa. At the same time, there is a politico-economic limit to the size of the immigrant population which any society can tolerate. Fortunately, as mentioned before, the spirit of the ECOWAS Protocol relating to Free Movement of Persons, Residence and Establishment is to foster the optimum utilisation of available human resources in the region. It must not be allowed to fail.

Supply-side Policies

Broad policy reforms in respect of the supply side of an economy aim at reviving growth through supply-side responses achieved by improving the structure of incentives. Such broad policy reforms pertain to trade regime, real sector, financial sector, public sector and privatisation, social and other policies. These policies, most of which have been touched upon earlier, require proper signals from fiscal, monetary and exchange rate policies to yield the desired results. Since

¹⁹ African Development Bank: African Development Report, op. cit.

²⁰ Central Bank of Nigeria: Annual Report and Statement of Accounts, Lagos 1995.

²¹ African Development Bank: Economic Integration ..., op. cit.

different macroeconomic policies have much to do with one another, if improperly synchronised failure in any one policy area will surely affect other areas often resulting in total failure of a given programme. Also, it is true that unless the key productive sectors of the economy (industry and agriculture) respond well to relative changes in prices and other macroeconomic, sector-specific and micro-level policy reforms – by way of increased output and higher efficiency – no real macroeconomic adjustment can take place within a reasonable time frame.

As the guaranteed prescriptions within the context of national SAPs appear not to have taken West African economies to the promised land, after a decade of trial and error, the regional alternative should be the next logical option. On trade policies West African countries have long recognised the imperative of trade liberalisation at the regional level. The ECOWAS tariff liberalisation schedule was launched on 1st January 1990, despite initial teething problems. Apart from increasing intra-regional trade, regionalism weakens the powers of entrenched national oligopolies. Besides, regional competitiveness should be the natural prelude to the pressures of international competition.

Furthermore, the ECOWAS Treaty envisages “cooperation and development” in the areas of industrial, agricultural and energy sector policies. Regionally focused SAPs will eliminate disparities in agricultural export-import prices and *ipso facto* smuggling, which the differentials lead to. Also, the regional approach to adjustment is ideal for coordinated development of agricultural infrastructure (especially water and power), joint agricultural research in plant and animal disease controls, marketing and extension services. In the industrial sector, the delayed free market-regional integration option for industrial adjustment implied in the ECOWAS trade liberalisation scheme, which allows weaker economies compensatory offsets and more time for tariff elimination, is preferable to national SAPs’ focus on globalisation of trade. The danger of the *laissez faire* SAP paradigm in individual West African countries is that it will lead to de-industrialisation in the weaker economies. Thus, less lopsided industrialisation can be achieved within a regional SAP than in the context of national ones.

The message of this paper is to draw attention to the need to look beyond national SAPs in the sub-

region. Percy Mistry put it plainly in these words: “African adjustment experience certainly suggests that much more learning needs to be done about adjustment in Africa’s somewhat unique conditions, which are dissimilar to those in Asia, Southern Europe and Latin America where much adjustment experience has been gained. Architectural knowledge in this area is distinctly weak and countries can be caught in a trap when the architects themselves are learning by doing and making it up as they go along.”²²

Summary and Conclusion

The paper has tried to demonstrate, based on the available empirical evidence and an analysis of the literature, that a strong case can be made for lifting the current national SAPs in West Africa to the regional level where they could have greater multiplier effects. In doing this the lack-lustre performance of the adjusting economies in the region as well as the integration process was highlighted. The spillover effects of SAPs on neighbouring economies were brought out to show how a successful neighbour can exert a positive impact on its neighbour and vice versa. Similarly, the mutually reinforcing links between RIAs and SAPs were discussed to demonstrate their compatible and complementary nature. However, in making the case for regional dimensions of structural adjustment as a viable proposition, one is not unmindful of the possible politico-economic problems and risks that might surface. Experience in West Africa shows that the francophone countries often see themselves a bloc within a bloc. Also, there are pockets of mutual suspicion and petty jealousy here and there. Even so, no worthwhile enterprise is risk-free.

In conclusion, regional integration and structural adjustment are not substitutes. Both are vital to improving the future economic, political, social and development prospects of West Africa. Leading from experience and exercising imagination productively is better than adhering to adjustment premises and policy-reform slogans that have so far yielded very few results. Although more work needs to be done to explore further some of the points raised in this paper, there seems to be enough *prima facie* evidence to suggest that, under the right set of circumstances and given the political will, a regional approach to the economic challenges of West Africa, especially the challenges of successful structural adjustment, is likely to yield greater results than national approaches.

²² P. S. Mistry, *op. cit.*, p.18.