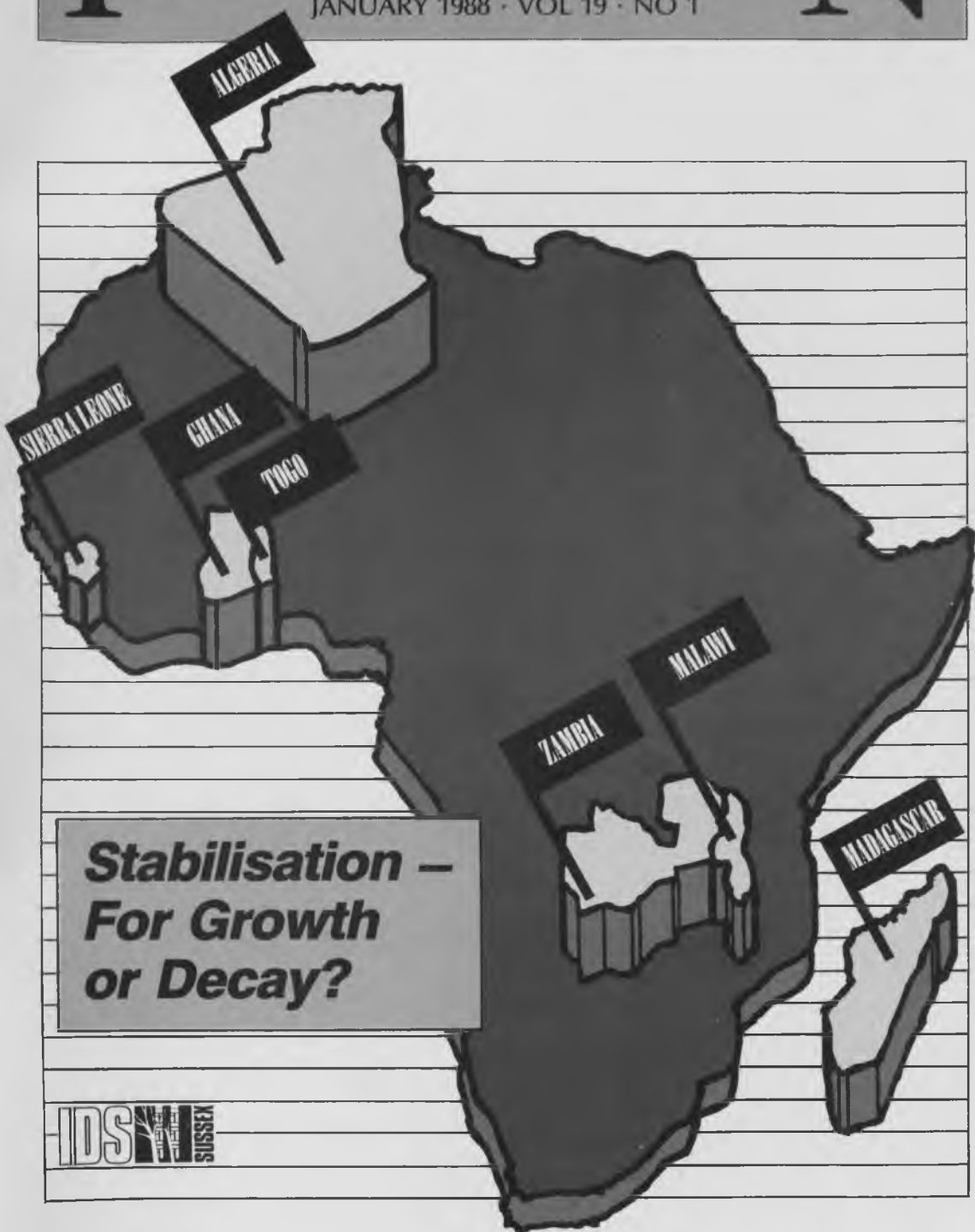


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***Stabilisation –
For Growth
or Decay?***

Stabilisation — For Growth or Decay?
Short Run Costs and Long Run Uncertainties in Africa
Editors Christopher Colclough and Reginald Herbold Green

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Summary

Ghana: Progress, Problematics and Limitations of the Success Story

Reginald Herbold Green

Ghana is cited by advocates as the key case of successful adjustment, and by critics as adjustment with an inhuman face. Both views are reductionist and fail to take on board the 1890-1982 historical context. Ghana's stabilisation effort, begun in 1982, was altered to secure Fund/Bank backing in 1983. The added resource inflows, the end of drought and the policy change have resulted in significant macroeconomic recovery. The sustainability of that record is problematic but far from hopeless. But human conditions have not improved comparably because — at least until 1982 — the poor were treated as peripheral, and even now production by and basic services for the poor are not priorities well integrated into the macroeconomic policy and allocation framework.

Togo: A Structural Adjustment that Destabilises Economic Growth

Jan Toporowski

Togo is a tiny, poor country that has been almost entirely dependent on foreign economic assistance since the collapse of the phosphate boom in the mid-1970s. Developing a Kaleckian model of foreign aid as supplementing and smoothing export revenue fluctuations, this article shows how World Bank and IMF programmes are destabilising economic activity in Togo.

Structural Adjustment and Vulnerable Groups in Sierra Leone

Richard Longhurst, Samura Kamara and Joseph Mensurah

The major elements of a structural adjustment package in Sierra Leone comprised flotation of the leone in June 1986 and removal of subsidies on rice and petrol. By April 1987 the leone had depreciated by 90 per cent (from Le6 = \$1 to Le50 = \$1), and the price of a cup of rice had increased 2½-3 times. The monthly cost of severely reduced meals for a family of five was about Le1000, which should be compared with a minimum government wage of Le250. Producer prices for major export crops and rice were also increased substantially. But the intended incentive effects have been dampened by the immediate increased input and living costs faced by rural families. The rigid IMF measures and their selective implementation have worsened the position of the poor.

Policy Reform and Adjustment in an Economy under Siege: Malawi 1980-87

Jonathan Kydd

The article provides an overview of adjustment policies and the performance of the economy since 1980. It sets out distinctive features of Malawi's politics and economy which have to be taken into account in assessing the economy. The evidence concerning the effectiveness of the adjustment policies is ambiguous, because of a continuing deterioration in the external environment.

The Impact of Adjustment Policy in Madagascar

Philippe Hugon

During the 1970s Madagascar experienced economic disfunctioning and financial disequilibrium linked to a planned economy. She has since progressively liberalised the economy and introduced adjustment policies. In the short term, these reduced financial

disequilibrium, but this was achieved by adjusting down, without the revival of economic growth and outside competition. The question remains whether in the longer term new adjustment policies will allow for economic recovery, given the structural nature of the economic crisis.

Zambian Adjustment Strategy — With and Without the IMF

Christopher Colebough

Zambia's adjustment to the income loss caused by the fall in the copper price was partial and postponed. The gap was financed by borrowing, which led to unsupported debt repayment obligations. Economic reforms, which were finally introduced at IMF behest, were radical. The speed and severity of internal income changes which resulted — particularly from the liberalisation of the exchange rate — destabilised the society and led to a rejection of reform. The Zambian case underlines the enormous costs of forcing a government to move further and faster than the domestic political structure will allow.

Strategic Adjustment and Stabilisation in a Hydrocarbon Exporter: The Case of Algeria

Amur Siabdelhadi and Reginald Herbold Green

Algeria has carried out a nationally instituted strategic adjustment and a short term stabilisation exercise — in that order. While it has adopted a pro-agricultural incentives policy (with positive results), partial liberalisation of prices, a broader private sector role, it has done so within the framework of a centrally planned economy committed to very high levels of capital formation. Its 1986-87 stabilisation policy (with no application to the IMF) has been extremely austere with 70 to 75 per cent of terms of trade (oil and gas) export and government revenue losses covered by cuts in imports and government expenditure. While basic services and rural development were protected real wages were not, and severe privation was experienced and dissatisfaction expressed by workers. As of mid-1987 stabilisation within the context of the preceding strategic adjustment has succeeded and been eased with the (accurately predicted) recovery of oil prices.

Non-marginal Price Changes: Conditions for the Success of Floating Exchange Rate Systems in Sub-Saharan Africa

Charles Harvey

A number of African countries recently chose or were forced to increase the cost of foreign exchange by 100 per cent or more. This failed to stabilise the exchange rate, and there was little evidence of increasing exports. Possible reasons for failure included unchanged spending combined with a floating rate, and lack of producer confidence in the new system when it was imposed by outsiders. Factors leading to success should be identified if similar experiments are to be forced on Africa.

From Speeches to Action: Implementing What is Agreed

Richard Jolly

Stabilisation policy and practice were initially abstracted from what were seen as transitional costs and from their impact on poor and vulnerable people. In terms of policy pronouncements there has been dramatic change since 1985. Under various titles, 'Adjustment With A Human Face' and the 'human dimension' of economic recovery are now almost universally accepted in conceptual terms. But practice — as measured both by the type of priority data sought and used and by resource allocations — lags well behind. The present challenge is to articulate these concepts in concrete cases and to achieve resource allocations adequate to act upon them.

Resumé

L'Impacte de la Politique d'Ajustement à Madagascar

Philippe Hugon

Madagascar a connu durant la décennie 70 les malfonctionnements et les déséquilibres financiers liés à une économie planifiée. Elle a progressivement depuis libéralisé son économie et appliqué des politiques d'ajustement. Celles-ci ont à court terme réduit les déséquilibres financiers mais par un ajustement par le bas et sans reprise de la croissance économique et de la compétitivité externe. A plus long terme, les politiques d'ajustement permettront-elles une reprise de l'économie vu le caractère structurel de la crise économique?

Ghana: Progrès, les Points de Contention et les Limitations d'un Succès

Reginald Herbold Green

Ghana est cité par ses supporters comme le cas exemplaire du succès d'un ajustement et par ses critiques comme un ajustement au visage inhumain. Ces deux points de vue sont réductionnistes et ne prennent pas en considération le contexte historique des années 1890 à 1982. L'effort de stabilisation faite au Ghana et qui commença en 1982, a été modifié en 1983, pour assurer l'obtention du soutien financier des banques. L'afflux de ressources supplémentaires, la fin de la sécheresse et le changement de politique ont résulté dans un redressement macro-économique considérable. La maintenance de ce record est problématique mais loin d'être sans espoir. Néanmoins, les conditions humaines ne se sont pas améliorées comparativement parce que — du moins depuis 1982 — le pauvre a été traité comme périphérique et aujourd'hui encore la production du pauvre et les services de base pour le pauvre ne sont pas considérés comme des priorités et ne sont pas bien intégrés dans les prises de mesures au niveau macro-économique et dans le cadre de la répartition.

Togo: Un Ajustement Structural qui Destabilise la Croissance économique

Jan Toporowski

Le Togo est un pays pauvre, minuscule qui a été presque totalement dépendant d'une assistance économique étrangère depuis l'effondrement du boom du phosphate au milieu des années 70. En développant un modèle de Kaleck d'aide étrangère comme un supplément et un moyen de régulation de la fluctuation des revenus à l'exportation, cet article montre comme la Banque Mondiale et les programmes de l'IMF ont destabilisé l'activité économique du Togo.

Ajustement Structural et Les Groupes Vulnérables en Sierra Leone

Richard Longhurst, Samura Kamara, et Joseph Mensurah

Les éléments majeurs du programme d'ajustement structural en Sierra Leone, comprennent la flotation du Leone en Juin 1986 et le retrait des approvisionnements en riz et essence. En Avril 1987, le Leone avait subi une baisse de 90% (de Le6 = S1 a Le50 = S1), et le prix de la mesure de riz avait augmenté de deux et demi à trois fois son prix. Le coût mensuel des repas, sévèrement réduits pour une famille de cinq personnes était d'environ 1000 Le, ce qui devrait être comparé avec un salaire gouvernemental minimum de 250 Le. Les prix des producteurs pour les exportations les plus importantes de produits agricoles et de riz avaient aussi augmenté substantiellement. Mais les effets de stimulation qui avaient été prévus, ont été étouffés par l'augmentation du rendement et du coût de la vie auquel les familles du secteur rural ont du faire face. Les mesures rigides de l'IMF et leur enforcement sélectif ont eu pour effet de dégrader encore plus la position du pauvre.

Politique de Réforme et d'Ajustement dans un Economie Assiégée: Malawi 1980-87

Jonathan Kydd

Cet article nous donne une vue d'ensemble des mesures

d'ajustement et des achèvements de l'économie depuis 1980. Il présente les caractères distinctifs de la politique du Malawi et de son économie qui doivent être pris en considération dans l'assèchement de l'économie. L'évidence concernant l'effectivité des mesures d'ajustement est ambiguë, à cause d'une détérioration continue dans l'environnement externe.

La Stratégie d'Ajustement Zambienne — Avec ou Sans le IMF

Christopher Colclough

L'ajustement de la Zambie à la perte de revenu causée par la chute du prix du cuivre a été partiel et retardé. Le déficit a été financé par un emprunt ayant pour conséquence d'insoutenable obligations pour le repaiement de cette dette. Des réformes économiques, finalement introduites sur l'ordre de l'IMF furent radicales. La vitesse et la sévérité des changements dans le revenu interne qui en a résulté — en particuliers à cause de la libéralisation du taux de change — a destabilisé la société et conduit au rejet des réformes. Le cas de la Zambie souligne le coût énorme d'une attitude qui force le gouvernement à aller plus loin et plus vite que la structure politique interne ne lui permette.

Ajustement Stratégique et Stabilisation chez un Exportateur d'Hydrocarbure: Le Cas de l'Algérie

Amar Stabelhadi et Reginald Herbold Green

L'Algérie a mené à bien une stratégie appliquée au niveau national et un exercice de stabilisation à court terme — dans cet ordre. Alors qu'elle adoptait une politique de stimulation pro-agricole, (avec des résultats positifs), la libéralisation partielle des prix, l'extension du rôle joué par le secteur privé, elle l'a fait au sein d'un plan d'économie centralisée, engagée dans la mise en place d'un très haut niveau de capitaux. Sa politique de stabilisation en 1986-87 (sans demande au IMF) a marqué une période extrêmement austère avec de 70 à 75% de perte dans la balance des paiements à l'export (pétrole et gaz) et sur le revenu gouvernemental, couverte par des réductions à l'importation et dans les dépenses du gouvernement. Alors que les services de base et le développement rural étaient protégés, les salaires réels ne le furent pas, et les ouvriers firent l'expérience de sévères privations et exprimèrent un profond mécontentement. A partir du milieu de l'année 1987, une stabilisation dans le contexte de l'ajustement stratégique se prouva un succès facile par la remontée (prévision qui s'est avérée juste) des prix du pétrole.

Changements des prix non-marginaux: Conditions pour le succès du flottement des systèmes des taux de Change en Afrique Sub-Saharienne

Charles Harvey

Un certain nombre de pays africains ont choisi récemment ou ont été forcé d'augmenter le coût du change étranger de 100% ou plus. Ceci n'a pas réussi à stabiliser le taux de change, et il a peu d'évidence d'une augmentation des exportations. Au nombre des raisons possibles de cet échec, figurait une combinaison de la maintenance des dépenses et d'un taux flottant, et aussi le manque de confiance de la part du producteur, dans un nouveau système où il se trouvait être imposé de l'extérieur. Les facteurs conduisant au succès devraient être identifiés si des tentatives semblables se doivent être imposées de nouveau à l'Afrique.

Des Discours à l'Action: Mettre en Place ce qui a été Convenu

Richard Jolly

La théorie et la pratique de la stabilisation ont été tirées à l'origine de ce qui était considéré comme étant les coûts transitoires et leur impacte sur les individus pauvres et vulnérables. En ce qui concerne les déclarations des prises de mesures, il y a eu un changement radical depuis 1985. Sous différents entêtes, 'Ajustement à Visage Humain' et la 'dimension humaine' du redressement économique sont maintenant pratiquement universellement adoptés en tant que termes conceptuels. Mais la pratique — comme elle a été mesurée à la fois par le type de données recherchées et utilisées, et par les allocations de ressource — est restée en arrière. Le défi actuel c'est d'exprimer ces concepts dans des cas concrets et de mener à bien les allocations adéquates de ressources afin de les exécuter.

Resumen

Gana: Progreso, problemas y limitaciones de una historia exitosa

Reginald Herbold Green

Gana es citada como el caso clave de ajuste exitoso por sus simpatizantes y como el de un ajuste con rostro inhumano por sus detractores. Ambas visiones son esquemáticas e ignoran el contexto histórico de 1890-1982. El esfuerzo estabilizador de Gana, iniciado en 1982, fue alterado en 1983 para asegurar el apoyo del Fondo/Banco. Los flujos de recursos adicionales, el fin de la sequía y el cambio de política produjeron una recuperación macroeconómica significativa. La mantención de lo logrado es problemática pero no imposible. No obstante, las condiciones humanas no han mejorado en términos comparativos, debido a que, al menos hasta 1982, los pobres fueron tratados como marginales y aún ahora la producción realizada por ellos y los servicios básicos para ellos, no constituyen prioridades integradas adecuadamente en la estructura de la política y distribución económicas.

Togo: un ajuste estructural que desestabiliza el crecimiento económico

Jan Toporowski

Togo es un país diminuto y pobre que, desde el colapso de la bonanza del fosfato ocurrida a mediados de la década de 1970, se ha vuelto casi totalmente dependiente de la asistencia económica exterior. Mediante el uso de un modelo kaleckiano de ayuda externa, que suplementa y atenúa las fluctuaciones de los ingresos provenientes de las exportaciones, este artículo demuestra como los programas del FMI y del Banco Mundial están desestabilizando la actividad económica en Togo.

Sierra Leona: ajuste estructural y grupos vulnerables

Richard Longhurst, Samura Kaniara y Joseph Mensurah

Los elementos principales del paquete del ajuste estructural en Sierra Leona incluyeron, en junio de 1986, la flotación de la moneda local y la eliminación de los subsidios al arroz y al petróleo. En abril de 1987, la moneda local se había depreciado en 90% (de Le6 = \$1 a Le50 = \$1) y el precio de una taza de arroz había subido entre 2,5 y 3 veces. El costo mensual de las colaciones, severamente reducidas, para una familia de 5 personas era aproximadamente Le 1.000, cifra que debe compararse con el salario mínimo del sector público que asciende a Le 250. Los precios al productor, de granos de exportación y arroz, también subieron substancialmente. No obstante, los efectos incentivadores intentados, fueron amortiguados por el alza inmediata de los costos de vida y de insumos en el medio rural. Las rígidas medidas del FMI y su selectiva implementación han empeorado la situación de los pobres.

Malawi 1980-87. Reforma política y ajuste en una economía sitiada

Jonathan Kydd

Este artículo proporciona una revisión de las políticas de ajuste y de la trayectoria económica desde 1980. Destaca las características politioeconómicas relevantes de Malawi, que deben considerarse en la evaluación de su economía. La evidencia relativa a la eficacia de las políticas de ajuste es ambigua a causa del continuo deterioro del ambiente exterior.

El impacto de la política de ajuste en Madagascar

Philippe Hugon

Durante la década de 1970, Madagascar experimentó desequilibrios funcionales y financieros vinculados a la economía planificada. Desde entonces, liberalizó la economía e introdujo políticas de

ajuste. En el corto plazo, éstas redujeron el desequilibrio financiero, pero esto se logró ajustando hacia abajo sin considerar el crecimiento económico y la competencia exterior. Dada la naturaleza estructural de la crisis económica, queda por aclarar si, en el largo plazo, nuevas políticas de ajuste permitirán la recuperación económica.

La estrategia de ajuste de Zambia con y sin el FMI

Christopher Colclough

El ajuste de Zambia a la pérdida de ingreso originada por la caída del precio del cobre fue parcial y postergado. La brecha fue financiada con préstamos que condujeron a intolerables obligaciones de pago de la deuda. Las reformas económicas que finalmente se introdujeron, por orden del FMI, fueron radicales. La velocidad y severidad de los cambios en el ingreso interno, resultantes particularmente de la liberalización de la tasa de cambio, desestabilizaron la sociedad y produjeron el rechazo de las reformas. El caso de Zambia ilustra el enorme costo que implica forzar a un gobierno a ir más lejos y más rápido que lo que permite la estructura política nacional.

Ajuste estratégico y estabilización en un exportador de petróleo. El caso de Argelia

Amar Siabdelhadi y Reginald Herbold Green

Argelia ha llevado a cabo sucesivamente, un ajuste estratégico nacionalmente institucionalizado y un ejercicio de estabilización de corto plazo. En el contexto de una economía centralmente planificada, comprometida con niveles muy altos de formación de capital, el país adoptó una política de incentivos agrícolas que tuvo resultados positivos, liberalización parcial de precios y un rol más amplio del sector privado. Su política de estabilización de 1986-87, sin ingerencia del FMI, fue extremadamente austera cubriendo entre un 70% y 75% de las pérdidas de las exportaciones e ingreso gubernamental, originadas por el deterioro de los términos de intercambio — petróleo y gas — con cortes en las importaciones y gasto público. Mientras que los servicios básicos y el desarrollo rural fueron protegidos, no ocurrió lo mismo con los salarios, lo que originó privaciones que fueron motivo de protesta por parte de los trabajadores. Desde mediados de 1987, dentro del contexto del ajuste estratégico precedente, la estabilización ha sido exitosa y mitigada por la recuperación de los precios del petróleo, pronosticada con precisión.

Cambios de precios no marginales. Condiciones para el éxito de sistemas de tasas de cambio flotantes en el Subsahara

Charles Harvey

Varios países africanos decidieron o fueron obligados a incrementar el costo de las divisas en un 100% o más. Esto fracasó en estabilizar la tasa de cambio y el incremento de las exportaciones fue escaso. Las posibles causas del fracaso incluyen la no modificación del gasto junto a una tasa flotante y las falta de confianza de los productores en el nuevo sistema, impuesto por foráneos. Si se desea imponer experimentos similares en África, deben identificarse los factores que conduzcan al éxito.

De la palabra a la acción. Implementar lo acordado

Richard Jolly

Inicialmente las políticas y prácticas de estabilización hicieron abstracción tanto de los que se consideraron costos transitorios como de su impacto sobre las personas pobres y vulnerables. Desde 1985 se ha producido un vuelco en los términos de pronunciamiento de políticas, a tal punto de que adjetivos tales como 'ajuste con rostro humano' y 'la dimensión humana' de la recuperación económica son actualmente aceptados casi universalmente como términos conceptuales. No obstante, la práctica está bastante rezagada, tanto en las prioridades de los datos buscados y usados, como en la asignación de los recursos. El desafío actual reside en articular tales conceptos en casos concretos y lograr asignaciones adecuadas de los recursos para operar sobre ellos.

Editorial: Do Stabilisation Policies Stabilise?

Christopher Colclough and Reginald Herbold Green

In one sense the perceived needs to stabilise virtually all African economies, and to secure their structural adjustment to new external realities, are no longer judged controversial both within and outside the African continent. It is now widely accepted that stabilisation — defined as removing untenable macroeconomic imbalances — has become essential. But, at another level, the disagreements have intensified. Critical questions include the following: Does the combination of classic IMF macroeconomic demand management plus liberalisation lead to stabilisation? If so, does it do so at the price of frustrating adjustment and renewed growth? Are conventional ways of adjusting macroeconomic balances remotely good enough if other human imbalances — such as high infant mortality, malnutrition, lack of access to basic health and education services and absolute poverty — become more extended as a result? Or is it that 'stabilisation with an inhuman face' must be judged to be professionally (as well as humanly) irresponsible? Are the post-1980 IMF programmes in Africa classic ones founded in the Polak model or are they something new?

The seven case studies in this volume (Algeria, Ghana, Madagascar, Malawi, Sierra Leone, Togo, Zambia) and the two more general papers (on adjustment with a human face, and non-marginal exchange rate changes) cannot claim to answer these questions definitively. They do, however, pose them sharply; they also throw light on the probable range of answers and cast grave doubt on claims that — in any general sense — 'stabilisation is working'.

Even in its own terms, stabilisation is far from being generally successful. Our studies show that Ghana and Algeria (whose programme was national and in some ways unconventional) have stabilised at a macroeconomic level but that Madagascar, Sierra Leone, Togo and Zambia clearly have not, and that Malawi's stabilisation looks increasingly unlikely.

As regards the restoration of sustainable GDP growth, the pattern is similar — except that the longevity of Ghana's growth remains open to doubt and that of Algeria had barely begun by late 1987, tied as it was to the partial recovery in the price of petroleum. More positively, this does, at least, suggest that successful stabilisation is not inconsistent with structural adjustment and renewed growth. However,

causality *may* run in the opposite direction: it could be that without an early renewal of growth neither structural adjustment nor stabilisation prove to be sustainable.

One area of divergence amongst this group of countries which appears to be important is the behaviour of net resource inflows (grants and loans less interest and repayments). In cases where these did not rise — e.g. Sierra Leone, Togo, Zambia, Madagascar — stabilisation has not been successful in its own terms. Still less has it restored stable growth or halted general deterioration in the human condition. On the other hand, where net resource inflows have increased — as in Ghana and Malawi — initial stabilisation objectives have been met and — less clearly in Malawi's case — growth has been restored. The outcome as regards poverty and destitution, however, even in those countries, remains unclear.

In each of the countries studied the policy stance prior to the introduction of stabilisation measures was in any case untenable for the longer term. In the absence of reforms, major reductions in public spending, and in demand more generally would have been inevitable. Similarly the distributive impact of pre-stabilisation policies often acted against the interests of the poorest groups. Criticism of the impact of stabilisation measures, therefore, by no means implies the unmitigated desirability of returning to an earlier policy regime.

However, specific targets for improvements in the human condition have not featured in any of the programmes (although this is now changing to some extent in Ghana). As a result, the particular forms taken by cuts in subsidies, in real wages and in real health and education expenditures under these programmes did have high social costs. In Zambia, for example, such costs explain much of the stop/go history of a decade of stabilisation efforts and certainly the 1986/87 collapse of the latest IMF/World Bank-supported reform programme. On the other hand, national reform programmes without international support would have found it almost impossible to take more account of human costs because they would have faced still lower state resources and import capacity. The Ghana programme of 1982 encountered this obstacle, and it seems likely that the nationally designed successor to the

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Ghana: Progress, Problematics and Limitations of the Success Story

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The small boy who breaks a pot goes to tell his mother
'It got broken' *not* 'I broke the pot' but 'It got
broken' . . . and who did this? We did.
We broke the pot.

— Jerry John Rawlings,
Chairman PNDC

Beginning Again — toward Work and Happiness or a New Illusion?

The slogan of Kwame Nkrumah's Convention People's Party in the early 1960s was 'Work and Happiness for All'. The semi-illicit opposition styled its economic critique 'It Will Not Be Work and Happiness for All' and when the CPP government was withdrawn two disillusioned European radicals styled their revised perceptions 'Ghana: End of an Illusion'. Since 1983 the Ghana economy has been turned around to become the very model of a modern stabilisation and adjustment programme (IMF/World Bank variant), and the Provisional National Development Council government instituted at the end of 1981 by retired Flight Lieutenant Jerry Rawlings has come to be perceived — especially in the North — as leading Ghana at last toward work and happiness for all under the platonic guardianship and tutelage of the Fund and the Bank.

Or is this merely a new illusion? Is the undeniable 1983-87 output recovery anything but a weather fuelled clawback to the already depressed levels of the late 1970s? Has it any real chance of continuing? Does fiscal and monetary stabilisation rest on any firmer foundation than cutting already tottering basic social service budgets and borrowing more abroad? Are even the external credits safe — much less the poor of Accra's Nima-Mamobi slum, of the peripheral northern and upper regions, let alone the infants and young children whose mortality rates seem to have begun to rise, reversing a trend of three decades? Even if it is economically sustainable, is this 'Adjustment

with an Inhuman Face' — the presumptive mirror image of UNICEF's 'Adjustment with a Human Face'?

These questions may oversimplify — the glosses of both proponents and opponents surely do. But they are serious questions — especially for the people of Ghana, but also for the Fund and Bank whose SSA model's prestige and perhaps even credibility are on the line in Ghana. As such they deserve serious attempts at provisional, partial answers.

Black Star Rising — and Setting?

1983-87 cannot be understood without going back to the late 1950s and even, perhaps, the late 1890s. Ghana's economic history is not particularly typical of sub-Saharan Africa, nor was its 1983 conjuncture. To view it as either is likely to impede analysis.

In the period 1890-1910 the then Gold Coast's tree crop farmers pioneered the West African cocoa industry, and from nothing turned their colony into the world's largest producer — a position Ghana held until the late 1970s, peaking at the end of the Nkrumah period at over 400,000 tonnes representing over 40 per cent of world output. European investment in timber extraction and gold mining — plus related infrastructure — as well as in external and wholesale trade, together with the cocoa farmers, had by 1910 created the modern Ghanaian economy, and a five-year development plan in the 1920s consolidated the physical and began building the human (hospitals, sixth form college) infrastructure.

After the prolonged depression of the late 1920s and 1930s — continued by isolation during World War II — the Gold Coast economy experienced a renewal first of growth (within the 1910 production and 1920s infrastructure frame) over 1947-57 and then an attempted structural adjustment focused on industry (manufacturing and hydropower). Cocoa, timber (with some processing) and gold spearheaded the

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production/export growth, the late colonial development effort (largely financed by the balances built up from exports in the war period) the growth of infrastructure. And so to independence in 1957 as West Africa's premier colony, the showpiece of Britain's Third Empire and of tutelage for responsible black leadership (not that Kwame Nkrumah and the CPP had initially been the colonial regime's chosen agents for that transition — far from it).

The Nkrumah period was marked by a rush for growth and for structural change based on high, state led productive and economic sector infrastructure and human investment, especially in education. Until 1960 the Black Star, symbol of Ghana, stood for steady rises in output, in investment, in education, in apparent mass prosperity and social welfare. There were clouds — but they then appeared to be small ones. The world cocoa boom was clearly over (thanks in large part to the explosive rise in Ghanaian production); the growth of food production had, with rapid urbanisation and unchanged peasant technology, begun to lag population growth by the middle 1950s; the high investment and recurrent statal and parastatal spending was beginning to exert external balance and (less clearly) inflationary pressures; the northern and upper regions (and adjacent districts) remained stagnant and peripheral to the economy and polity.

In 1960-61 these stresses led to a mini external and internal balance crisis, temporarily resolved by a tough budget, import and foreign exchange control and continued focusing on investing Ghana into the future. That resolution was at best transitory. Over 1961-65 world cocoa prices collapsed — as did grower prices, although the government maintained them at border parity and (by giving up cocoa's surplus generation role) sharply raised them as a percentage of export proceeds. Inflation exploded, food production lagged, per capita consumption was cut to ribbons to sustain high recurrent service and capital budgets. Discontent became omnipresent — as did its (fairly mild) repression. The productive sector investment was in part ill-designed (and corrupted) and in part delayed and unable to perform in the worsening macro climate. Output faltered. In 1966 the Ghanaian army moved and President Nkrumah was overthrown.

The first two military governments (1966-69) conducted a Bank/Fund advised stabilisation — up to a point. Private consumption was partly restored, and military spending raised; external and budgetary imbalances reduced — within a basically static output per capita. A partial recovery in cocoa prices in 1966 helped, but the real motor for stabilisation was demand management — drastically cutting both investment and non-military government spending. The second civilian regime, whose economic architect, J. H. Mensah, had been Nkrumah's main economic

planner until the early 1960s, sought to sustain higher consumption, restore public services and return to the CPP's high investment/high growth strategy (not least by completing the investment projects in progress before the 1966 coup). With cocoa prices again collapsing, and this time paralleled by declines in grower prices absolutely and relative to border prices, and continued lags in investment payoff and food production, both domestic and external imbalances exploded and support for the government imploded. An attempted devaluation to limit imbalance and ride out the storm until cocoa prices recovered was followed by an opportunistic army coup wrapped in a pseudo populist mantle which initially gave it trade union and left support. Ironically, within a few months the cocoa price did recover into a transitory 1974 boom.

From 1973 through 1981 it is not possible to review economic policy. The crucial point is that there was no coherent policy but only a stream of inconsistent slogans, of temporary expedients and of increasingly frantic scrambling to salvage personal and narrow sub class interests out of a steadily shrinking pot. After the 1974 cocoa boom it was downhill all the way — for investment (which even in 1986 was still negative at net level using reasonable depreciation estimates), public services, personal services, personal consumption, economic balance, political credibility and public morality. Especially over 1979-81 'chopping off the backside' (routinised, generalised, hierachical corruption) became the dominant sub-mode of exchange, and survival the central concern of the vast majority of households. The hopes and expectations of 1957 indeed seemed to be a fading illusion and a distant memory of a betrayed past.

The First and Second Landings of the Flight Lieutenant

In 1979, then Flight Lieutenant Jerry Rawlings led a coup to attempt to restore probity to the armed forces and to civil society. Its anti-corruption measures were draconic; its anti-profiteering economic policy dramatic in making existing stocks more available, less expensively. It presided over a transition to an elected, purportedly populist, government which soon reversed the partial cleansing and which faced the aftermath of forced stock rundowns and price cuts with no parallel stimulation of production.

As Ghana stumbled into its worst economic crisis, characterised by horrendous imbalances, falling output, rising poverty, the opening of the century's worst three year drought, health service collapse and the return of two killer diseases (yaws and yellow fever) wiped out a quarter century before, in the dying days of 1981, the retired Flight Lieutenant returned at the head of the PNDC. This time he proposed moral,

social, political and economic reconstruction — not a one-off cleansing and handover.

1982 saw a go-it-alone stabilisation and adjustment effort. Cocoa was given priority — higher grower prices (from perhaps 25 per cent of export proceeds and 30 per cent of border prices), prompt payment (vs 9 months delay), mobilisation of labour and the remnants of the transport system. Price controls and the anti corruption drive pushed inflation under 25 per cent (vs 50-100 per cent levels from 1975 on). The state gained credibility as having public (not merely self interested) intentions, concern for civil society, some coherent idea as to what it was doing, a capacity to organise and allocate resources to priority ends.

But it was too late for a nationally engineered turnaround. Exports and government revenue could not be raised enough to break the import and fiscal noose choking the life out of the economy, the public services and civil society. The 1973-81 record placed international credibility — and financial support — out of reach; a result reinforced by the people's power rhetoric and policy of the PNDC and the implacable hostility to it of the Reagan administration.

As 1982 waned — and the drought waxed — the PNDC decided that the only way to break out of decline was to secure the external resources to restore imports to revitalise capacity, rehabilitate infrastructure, regain productive advance. And the only way to do that was to go to the IMF and World Bank on their terms, negotiating from an historic (Ghanaian) record of no performance, and a present foundation of a crumbling economy and society.

Stabilisation: The Programme Evolves

The 1983-85 Stabilisation/Adjustment programme was basically traditional or new orthodox with one exception, a deliberate immediate target to increase import capacity via increased concessional finance. The programme was based on an initial shock treatment — particularly in respect to the exchange rate — followed by sustained gradualism and supported by increasing real resource inflows over 1983-86. Its main elements were:

Devaluation — shock treatment in 1983 from Cedi 2.75 to 30 to the US \$ followed by a downward crawl in 1984 to Cedi 50 to the \$ and 60 at the end of 1985. This was followed by a second shock devaluation to Cedi 90 to the \$. A third shock treatment was moving to a managed auction system in the second half of 1986 with a year end (and mid 1987) rate of 150 Cedi per \$ (vs a parallel rate of the order of 200).

Fiscal policy called for reducing the government borrowing requirement, initially largely by expenditure cuts when government spending was under 10 per cent of GDP and the borrowing requirement under three per cent.

Monetary policy was designed to hold domestic credit formation below 20 per cent (largely by reducing government borrowing) and to achieve positive real interest rates to raise domestic savings. By 1985 interest rates had reached 20 per cent.

Cocoa prices were to be raised rapidly in real as well as nominal terms consistent with raising the net government revenue, because with massive devaluation, domestic prices and Cocoa Board costs would grow less rapidly than Cedi receipts. Additional foreign resources were to be mobilised from the Fund, Bank and bilaterals to finance additional imports, service existing debt and reduce arrears.

Liberalisation included ending almost all price controls (which were virtually totally ineffective) and — except for cocoa, shea nuts and palm oil — all ceiling agricultural purchase prices (which affected a negligible proportion of output in 1983). It also included no-questions-asked licensing of 'no forex' imports to capture the proceeds of outward smuggling and remittances from Ghanaians abroad. *Import licensing*, except for 'no forex' imports, was to be retained and made more efficient by systematic prioritisation.

Inflation was to be reduced sharply from the 50 per cent to 116 per cent rates which had characterised the late 1970s and early 1980s (albeit the 1982 rate had been 22 per cent). This was seen as possible because for most transactions prices were related to the parallel exchange rate.

Results 1983-86 — The Programme Produces

The programme's results were mixed but in its own terms basically satisfactory. *Price increases* rose to 122 per cent in 1983 (145 per cent food and 100 per cent non-food) but fell to 40 per cent in 1984 (11 per cent food and 69 per cent non-food) and 12 per cent in 1985 (-11 per cent food and 50 per cent non-food) before rising to 23 per cent (about 15 and 30 per cent) in 1986. The nature of the price change pattern bears out that most prices as of 1983 had been closer to the parallel than the official exchange rate. However, it also indicates that a substantial portion (slightly over half) of 1983's accelerated inflation related to primarily weather induced food price rises and the bulk of the subsequent fall to weather related food price stabilisation.

Money supply increases were low. Government bank borrowing requirements fell. Enterprise credit demand remained low and banks began to refuse savings and time deposits, creating a somewhat artificial stability. By the second half of 1986 the liquidity problem had become acute. Banks were unable to extend enough credit or to mobilise enough currency for all viable enterprises to meet the conditions of the forex auction.

The basic reason was the artificial curtailment of deposit (especially interest bearing deposit) levels.

GDP rose 7.6 per cent in 1984, 5.3 per cent in 1985 and 5.6 per cent in 1986 — the first time per capita GDP had risen in three consecutive years since the 1950s. This growth was fairly widely distributed sectorally, albeit the high 1984 level relates in large part to weather related food crop harvest recovery. Exports fell sharply from \$641 mn in 1982 (and \$1,104 mn in 1980) to \$441 in 1983, partly on volume decline related to weather and continuing infrastructure deterioration, and partly to price changes. The 1984 recovery to \$566 mn was dominated by favourable price changes, but those of 1985 to \$632 mn and 1986 to \$773 mn did reflect substantial output increases.

Public Services provision was badly hit by budgetary curtailment in 1983, as was public infrastructural investment. The ratio of budgetary spending to GDP fell to about 6.5 per cent (5.5 per cent recurrent and 1 per cent capital) and of revenue to 5.4 per cent. Further, the control method used of centralised, specific releases of funds for a wide range of items, while effective in curtailing expenditure, also curtails its efficiency. The *overemployment/underemployment* problem has yet to be tackled squarely. In the most overstuffed parastatal — the Cocoa Board — employment at 89,000 to 110,000 (depending on coverage) could sensibly be cut not by 16,000 as achieved but to 16,000 (or perhaps 25,000 including certain related activities). To do so is critical to raising the growers' share in export proceeds without creating fiscal havoc. But such cuts are only possible if replanting and field staff laid off can be allocated replanted — or replantable — areas and assisted in becoming cocoa (or other crop) farmers.

The need to raise — not lower — the Budget/GDP ratio is now recognised, and indeed it has recovered to about 12 per cent (9 per cent recurrent, 3 per cent capital) on expenditure and 9 per cent on revenue side, with rehabilitation programmes for education and health begun. Revenue raising priorities, however, appear odd, as well as raising problems for the access of poor people and vulnerable groups. A remarkable number of low unit value, high administrative cost fees are being introduced, but sales and excise taxes, with few exceptions, remain derisory (1.5 per cent on schnapps, as a proportion of retail price) partly at least because old specific rates have been raised rather than converted to *ad valorem* scales at plausible levels.

The priorities for *fixed capital formation* are now rehabilitation and bottleneck breaking, albeit some project priorities appear odd — e.g. a low traffic new highway from Accra to the Ivory Coast border while the main north highway is omitted, despite finance from IDA secured in 1987. However, GFCF's absolute level appears dangerously low when compared to plausible depreciation estimates. Net

fixed capital formation was 0.5 per cent in 1982 on what was even then a rather low depreciation estimate. It has risen to 5.4 per cent in 1985 largely because the estimated depreciation rate has been halved, otherwise it would be 2.0 per cent. Indeed, on depreciation/capital stock procedures comparable to those used in a study of Zimbabwe it is *negative*. The domestic savings rate remains low — perhaps 6 per cent gross in 1985 and 8 per cent in 1986 but virtually negative at net level. Still, gross investment is rising in real terms and is probably given more careful and articulated attention than at any time since the early 1920s.

No time for Triumphalism: Problems and Problematics

Several problems without clear answers remain and — as a result — the sustainability of the programme remains problematic. To date Ghana's luck since 1983 has been good (early cocoa price rise, return of good weather, oil price slump). 1987 has been much more mixed (cocoa price fall, poor weather, partial oil price snapback) which suggests both greater external balance and food supply strains — both tending to push up inflation and to hold down growth.

Cocoa is a key problem. Official purchases by 1990 can probably be pushed over 300,000 tonnes as a result of more smuggling clawed back, better input supply, initial payoff from replanting and new planting. But with Malaysia's growth from nowhere in 1980 to nearly 100,000 tonnes now, and to over 200,000 by 1990 (on trees already planted), Nigeria's export recovery, Ivory Coast's continued expansion, what will happen to the price? By 1990 cocoa export earnings at 300-325,000 tonnes could be below 1986 at 225,000 tonnes. Further, if the world price falls, the 30 per cent grower, 35 per cent Cocoa Board, 35 per cent Treasury split of proceeds will not provide adequate incentives. To date only the edges of the monstrous overemployment (equivalent to the private sector or all other parastatals) and cost (including transport) excesses of the Cocoa Board have been chipped at: large revenue cuts are hardly what the Treasury needs.

Food prices stand at 70 per cent of a 1977 base of 100 (compared to cost of living), probably the lowest index since the end of the 1950s. What impact will this have on output? To the early 1990s the government projects 4 per cent annual growth and the World Bank 2 per cent against population growth of about 3 per cent. Neither estimate seems firmly based or to deal explicitly with droughts. Their divergence is crucial. Two per cent growth, more likely on the past record and 1986 prices, threatens economic, social and political stability. Four per cent would help consolidate it. This problem relates to the simple fact that in practice there is no coherent agricultural policy, and the ministry appears

to have neither the financial resources, the data, the personnel nor the first hand contact with peasants to create one.

Labour and wages are a potential time-bomb. Ghana's TUC has helped instal — and tear down — every previous government. Now, despite a 1983-87 doubling of real wages (admittedly together with allowances still amounting to only half of a poor urban household's actual consumption basket — see e.g. Table 4), the TUC is openly hostile to and obstructive of the PNDC.

External finance is barely adequate — it will not cover any sudden shock (including a year's fall in Consultative Group pledges). Because of past soft loan gaps, debt service has risen to over 60 per cent of gross loan and grant inflows. Any balancing to 1990 (without hazardous use of hard finance) depends on the IMF substituting Structural Adjustment Facilities for repurchases falling due under past 1983 standbys. Thus any breach of a performance (trigger) clause could bring down the whole external finance structure.

Ghana is suffering from adjustment fatigue — five years' hard slog leaves many people and officials drained. But relaxation would not be safe — indeed the 1987-89 movement to full Open General Licence, 20 to 30 per cent uniform tariffs, a revised tax system and full parastatal reform could well prove harder to articulate and to manage than previous stages. If any of the problem areas cited above goes seriously wrong, there will be a full blown crisis which the very fragile economic and social recovery is hardly yet in a position to face.

This is not to say Ghana's programme is doomed. Far from it: its fragility is less than in any previous year. But the creeping conditionality toward full liberalisation from the Bank, the weaknesses of the real economy and the growing adjustment fatigue do mean that triumphal march music is still dangerously premature.

Where Human Conditions Decay: Limitations of Success

Per capita GDP in Ghana is at best two thirds what it was in 1960. The 1960-1970s advance in human conditions indicators (Table 3) had been crucially reversed through 1983 and, at best, has held its own except for malnutrition and conceivably the per cent in absolute poverty since. In 1986 with over five per cent real growth, per capita consumption fell three per cent apparently from demand overkill and lower real cash incomes for food selling peasants. The government health system (excluding the related Christian Health Association of Ghana) saw its real output plunge 50 per cent from 1979 through 1983; the education

system is barely avoiding collapse; the rural water system has no assured capacity for maintenance.

Assuming that development is about, for and by people, and that imbalances between basic needs and the real incomes and access to services of the poor matter, that is a disastrous record. At the end of four years of stabilisation and three of rapid growth it is an indictment of Ghana's stabilisation strategy as at best integrally incomplete and at worst focused solely on macroeconomic restoration while people continued to decay.

This is emphatically not to argue that the severe decline in human conditions has been caused by the stabilisation programme. 1966-1981 (especially 1973-81) economic policy and non-policy must bear primary responsibility, and external shocks (not least the 1981-83 drought) secondary. Continuation of the 1979-81 drift or even the 1982 stabilisation without international support strategy would not have meant poor Ghanaians were less poor today — quite the contrary.

Nor has the programme as implemented harmed them by what it did, except for attempts in 1983-84 to restore fiscal balance by cutting real recurrent spending. More poor and vulnerable people have been made less poor and/or vulnerable since 1983 than the reverse. But that defence is not good enough. The absence of integrating human imbalance stabilisation into the programme's core strategy was — and to a large extent remains — a basic flaw.

Basic health, education and water sources raise productivity now and in the future. The sick, illiterate and poor cannot work long, hard, or productively. The failure to secure funds to restore the main highway to the north until 1987 has disadvantaged both that trio of poor regions and their poor people, and limited production recovery. So have agricultural, urban and public works strategies that failed to identify ways to enable poor people to produce more and to utilise Ghana's one abundant factor of production — labour — more fully.

It would not be fair to blame primarily the Fund or the Bank for this — especially from 1985 onward. The Bank may have treated health, education, the highway to the north and labour intensive public works as add ons — but it has moved to backing them firmly, which some observers would argue is more than could be said until 1987 of the Ghanaian ministries of Finance and Agriculture. The PNDC leadership has not been fully agreed on priorities and sequences. Only in April 1987 did Ghana take a substantial production and productivity package by and for the poor to the Consultative Group, and even now the idea that adjustment with a human face is about productive and allocational efficiency is far from fully integrated into macroeconomic programming.

Where Now? What Chance?

For the PNDC, success of the programme is vital to its survival and to its attempt to recreate a participatory, democratic political process. For the majority of Ghanaians success is crucial to any alleviation from misery. Indeed for more than a few the stark meaning of failure would be seen in rising infant mortality and falling life expectancy. The West African proverb applies — give a rich man less food and he will grow thin; give a poor man less food and he will die.

For the Fund and the Bank, Ghana matters beyond the finance they have sunk in it from 1983 on (approaching \$1,000 mn at commitment level). If the longest running, arguably successful stabilisation/adjustment programme collapses, their credibility in sub-Saharan Africa is likely to fall with it.

Despite the limitations to date and the problematics for the future, that necessity of continued and broadened success may help win the struggle toward it. Too many people and institutions (and not just in Ghana) have too much riding on it to accept failure

Table 1

Average Growth Rates Key Economic Indicators 1965-83 (per cent)

Item	1965-73	1973-83
1. Population ^a	2.2	3.1
2. Domestic production ^a		
(a) GDP	3.4	-1.3
(b) GDP per capita	1.2	-4.4
(c) Agriculture	4.5	0.0
(d) Industry	4.3	-7.0
(e) Services	1.1	-0.3
3. Merchandise trade		
(a) Exports ^a	3.5	-6.4
(b) Imports ^a	-3.3	-8.0
(c) Terms of trade	—	-6.5
4. Cocoa production ^b		
5. Food sector		
(a) Food production ^c	2.0	-2.7
(b) Food production per capita ^c	-0.3	-5.9
(c) Calorie availability per capita ^c	1.3	-3.9
(i) from cereals	3.8	-3.3
(ii) from roots and tubers	-2.0	-1.8
(d) Protein availability per capita ^c	4.1	-4.0
6. Inflation		
(a) Consumer prices	6.3 ^d	49.9 ^e
(b) Food (local and imported) prices	6.6 ^d	53.2 ^e
(c) Non-food prices	5.8 ^d	46.5 ^e

Notes: ^a World Bank, 1985.

^b Based on data provided by Ghana Cocoa Board, 1986.

^c FAO and FAO computer print-outs, 1986.

^d Based on data in Bequele, 1980, Appendix Table 7 with the weights for local and imported food (0.5207 and 0.0295) from the World Bank.

^e Based on data from Ghana Central Bureau of Statistics.

Source: Adapted from 1986 ILO Working Paper by T. Tabatabai.

without a last ditch fight. Ghana's self confidence is growing, as is global confidence in her. Every year of success (probably every year of avoiding failure) strengthens the economy, the civil society, the chances of riding out serious negative shocks, when they come (as they will).

If Zambia over 1976-87 is evidence of how little a decade of stabilisation can produce, Ghana is evidence that something can be won, even after a decade and a half of decline. It may yet join Zimbabwe and Tanzania in demonstrating that the provision of services to poor people can be built into the core of a stabilisation/adjustment programme. The Black Star

is no longer setting, the battle to sustain its second rising is one in which the Fund, the Bank and the PNDC have all made errors but have — to date — managed to work together without major antagonistic contradictions at the operational level. If six more years (1988-93) of large soft resource injections can be secured, improvements in human conditions made integral to the programme, massive shock avoided (or financed) — then four to five per cent growth and steady improvement in human condition indicators will be sustainable and largely self-sustaining, humanly, socially and politically, as well as macroeconomically.

Table 2

Major Economic and Financial Indicators 1984-89

	(Provisional)				Projections		
	Actual 1984	Estimates 1985	Estimates 1986	Target 1986	1987	1988	1989
Growth rates							
GDP	8.6%	5.1%	5.3%	5.5%	5.0%	5.3%	5.3%
GDP deflator	35.3%	31.2%	30.2%	18.2%	18.0%	12.5%	7.5%
Percent of market price GDP							
National accounts							
Consumption	95.1%	95.7%	92.3%	95%	89.8%	86.7%	85.0%
Investment	7.6%	7.3%	10.3%	14%	17.1%	21.0%	22.8%
Private	4.0%	3.4%	4.4%	5%	7.9%	11.1%	11.9%
Budgetary capital expenditures	3.6%	3.8%	5.9%	9%	9.2%	9.9%	10.8%
National savings	4.7%	3.1%	6.6%	6%	8.5%	12.2%	14.8%
Public	-0.4%	0.1%	1.7%	2%	3.2%	3.5%	3.6%
Private	5.1%	3.0%	4.8%	4%	5.3%	8.7%	11.2%
Of which: foreign transfers	1.0%	0.5%	0.9%	1%	1.3%	2.0%	2.8%
Foreign savings	2.8%	4.2%	3.7%	7%	8.6%	8.8%	7.9%
Central government budget							
Total revenues	8.0%	10.4%	13.6%	12%	16.1%	16.2%	16.5%
Total expenditure	11.8%	14.1%	17.8%	20%	22.8%	23.6%	24.4%
Recurrent	8.4%	10.3%	11.9%	11%	12.9%	12.7%	12.9%
Capital	3.4%	3.8%	5.9%	6%	9.2%	9.9%	10.8%
Special efficiency	0.0%	0.0%	0.0%	3%	0.7%	0.9%	0.6%
Overall deficit	3.8%	3.8%	4.1%	8%	6.6%	7.4%	7.9%
Balance of payments							
Exports of GNFS	8.0%	9.9%	15.8%	14%	21.7%	22.2%	22.7%
Imports of GNFS	-10.7%	-12.9%	-18.5%	-20%	-28.6%	-30.0%	-30.5%
Resource balance	-2.7%	-3.0%	-2.6%	-6%	-7.0%	-7.7%	-7.8%
Current account balance	-2.8%	-4.2%	-3.7%	-8%	-8.6%	-8.8%	-7.9%
Overall balance	-1.6%	-1.7%	-1.1%	+2%	2.8%	3.0%	2.5%
Broad money (M2)							
	15	12	16	15	18	20	22
COL							
	40	10	23	15	—	—	—

Source: Adapted from Government of Ghana 1987 Economic Recovery Programme Presentation to Consultative Group

Table 3

Selected Human Condition Indicators 1960-Mid 1980s^a

	Ghana				Low Income sub-Saharan Africa
	1960	1970	Late 1970s	1980s	1982
1. Average life expectancy at birth	45	49	55	53	48
2. Infant mortality rate	132	107	86	107-120	118
3. Child death rate	27	21	15	25-30	24
4. Access to health facility ^b	—	—	—	30	45
5. Public health facility visits per person per year	—	—	0.7	0.4	2 ^l
6. Health budget as % of GDP	—	1.2	—	0.26	0.95
7. Access to pure water ^c					
Rural	—	14	14	48	14
Urban	—	86	86	75	62
Total	—	35	35	60	22
8. Access to excreta disposal ^d					
Rural	—	40	40	30	25
Urban	—	92	95	65	69
Total	—	55	56	44	32
9. Average calorie availability as a % of requirements	92	97	88	68	91
10. Child malnutrition (moderate/severe)	—	—	36	50-55	40
11. Primary education enrolment ratio ^e	38(46)	64(75)	69(80)	—(80)	69(-)
12. Adult literacy	27	30	—	35-45	44
13. Education budget as % of GDP	—	3.9	—	0.85	2.81
14. Proportion of population below absolute poverty line ^f					
Rural	—	—	60-65	67-1/2-72-1/2	65
Urban	—	—	30-35	45-50	35

Principal Sources: World Bank, Comparative Analysis and Data Division, Economic Analysis and Projections Department (June 1984), World Development Report 1985; UNICEF, Statistics on Children in UNICEF Assisted Countries (April 1985); UNICEF Ghana: Situation Analysis of Women and Children (July 1984).

Notes: ^a 1960 data refer to a year between 1959 and 1961; 1970 between 1969 and 1971; late 1970s between 1975 and 1980; 1980s to 1982, 1984 or 1985.

^b Defined in terms of location within a 5 kilometre radius. May overstate for urban population when facilities available are small to serve the entire population nominally within reach of them.

^c 1970 and late 1970s urban figures may be overstated by failing to relate number of water points to population.

^d 1970 and 1978 figures for urban and possibly rural areas overstate by failing to relate number of drop-holes to supposed user population.

^e Adjusted for length of primary cycle. () are unadjusted figures. Because of the primary/middle school division Ghana has a shorter primary cycle than most SSA countries.

^f Estimate made by author on basis of fragmentary data.

Table 4

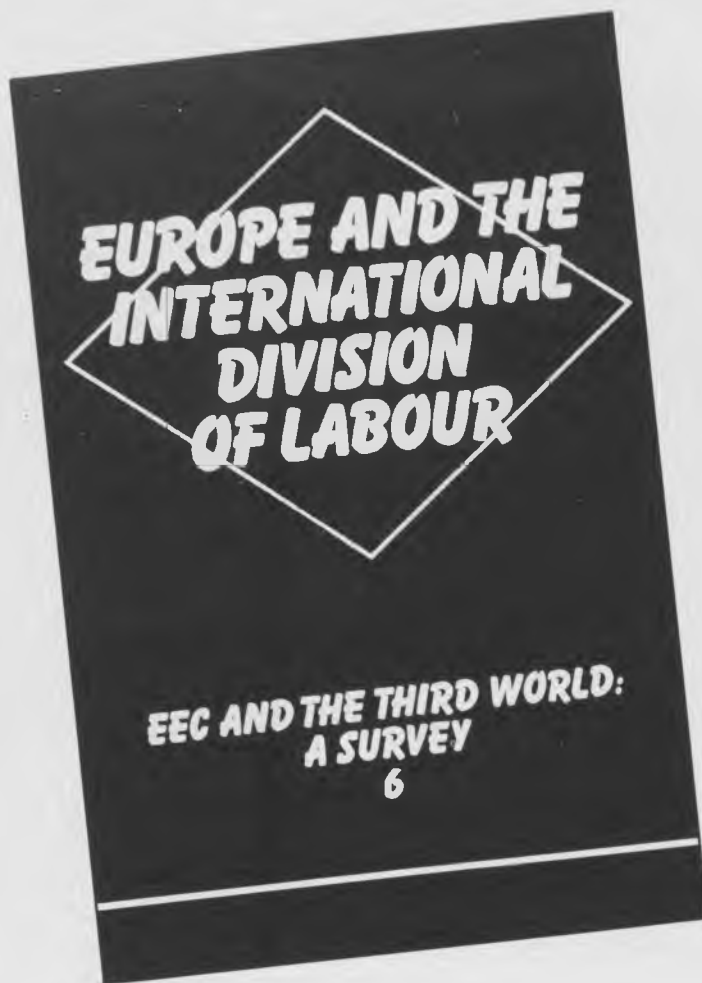
Reconstructed Budget Accounts Clerk Late 1985

Income	<i>Cedi</i>	
Net pay slip	2,150	
Housing allowance	430	
Other allowances	570	
Tips, sales memos, etc.	1,250	(4,250)
Wife — vegetable selling	3,500	
Wife — other informal	500	(4,000)
Other household members	750	(750)
Total income		9,000
Expenditure		
Pay day chop ('day we must enjoy')	750	(1,3)
Weekend chop (evening only)	3,000	(1,2)
Weekend chop (morning/evening)	1,600	(1,2)
Other chop	500	(2)
Children's food pocket money	400	(2)
Clerk's lunch money	400	(1) (6,650)
Transport to work (communal taxi)	600	(1)
Rent	300	(1)
Water/electricity	150	(1)
Education/medical, etc.	100	(2)
Clothing/household supplies	600	(2,4)
Football/lotto/beer/cigarettes	600	(1,5)
Total expenditure		9,000

Notes:

- (1) Paid by clerk or mixed.
- (2) Dominantly paid by wife.
- (3) Chicken Cedi 450; other Cedi 300.
- (4) Implicitly $\frac{1}{2}$ shirt, 1 metre cloth, 2 cakes soap a month.
- (5) Implicitly 3 bottles beer, 40 cigarettes, 1 football match, 2 Lotto forms a month.

Source: Adapted *From West Africa* 27-1-86 and fragmentary data on expenditure, income patterns. Estimate roughly squares with World Bank quasi survey suggesting wage earning household expenditure four times wages and over two thirds on food. Raises doubts as to appropriateness 50 per cent food weight in Cost of Living Index.



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