Conference on Zimbabwe: Macroeconomic policy, management and performance since independence: Lessons for the 21 st century (1998: Harare, Sheraton Hotel)

VOLUME 3. Paper nos, 27 to 39

PAPER 37

SESSION 9

STRUCTURAL ADJUSTMENT TOWARDS SUSTAINABLE GROWTH AND DEVELOPMENT IN ZIMBABWE: LESSONS AND CONDITIONS

By C. Harmse and AC Jordaan
University of Pretoria
Department of Economics

PAPER PRESENTED AT THE CONFERENCE ON:
"ZIMBABWE: MACROECONOMIC POLICY, MANAGEMENT AND PERFOMANCE SINCE INDEPENDENCE (1980-1998): LESSONS FOR THE 21ST CENTURY"

HELD AT THE HARARE SHERATON HOTEL

19-21 AUGUST 1998

STRUCTURAL ADJUSTMENT TOWARDS SUSTAINABLE GROWTH AND DEVELOPMENT IN ZIMBABWE: LESSONS AND CONDITIONS

C Harmse and AC Jordaan
Department of Economics, University of Pretoria

INTRODUCTION

Sustained economic growth and development in Africa has been a burning issue for a long time. This paper attempts to evaluate the performance of selected African countries in terms of certain conditions for sustained long term economic growth and development. These conditions were identified and discussed by Harmse (1992), Harmse and De Wet (1994) and De Wet (1995), namely: Efficiency **in production** (brought about by economic liberalisation and trade through outward-oriented policies); **economic stability** and finally a **well-defined and consistent domestic policy mix** which includes fiscal and monetary restraint, human development programmes and especially good education, promotion of the manufacturing sector, export promotion and an unyielding policy stance. Several studies on Sub-Saharan Africa argue convincingly that the economic realities of Africa call for special attention to be paid to imbalances in respect of employment, income, nutrition, health and education which all affect the capacity of the human resource (UNECA, 1989; Brinkman, 1995; Olofin, 1995). Action which will correct these imbalances, entails the creation of an **environment** in which human resources are developed, infrastructure is built and expanded, while institutions as well as technological and entrepreneurial capabilities to promote exports are cultivated. Although it is already contained in the third condition, it would make sense to emphasise the importance of the human and physical environment aspect by identifying it explicitly as a fourth condition for Africa. We will denote these conditions by the acronym ESCE (**Efficiency, Stability, Consistency, and Environment**).

Many African economies experienced a serious socio-economic crisis during the 1980s, caused by both endogenous and exogenous factors (Thisen, 1992:5-6). Increased protection in the rest of the world, the process of synthetic substitution for raw materials and the intensification of bilateralism at the expense of multilateralism saw Africa's terms of trade deteriorating rapidly. This situation was aggravated by political upheavals, the great African droughts of 1983-1985, 1987-1989 and 1992-1993, escalating debt burdens and declining resource flows (Thisen: 6-8). Endogenously a lack of the necessary production structure, of income generation and distribution processes, together with unsuccessful adjustment policies led to devastatingly negative per capita growth rates in many African countries (Thisen :7).

This paper evaluates the adjustment process in Zimbabwe in comparison with selected other African countries according to the aforementioned criteria or conditions.

EXTERNAL SHOCKS

In the early 1970's, the world was subjected to several external shocks, which had a severe impact on many countries. Owing to these shocks a number of changes took place in the world, and individual countries were obliged to adapt their domestic economies accordingly, more easily so than others. It seems that the shocks had less impact on those countries that could make the necessary adjustments in time to the structure of their economies. Developing countries with an unfavourable economic structure were suddenly confronted with the major question of adjusting to these shocks.

Several alternative adjustment programmes could be adapted to this end. The Structural Adjustment Programme of the International Monetary Fund (IMF) and the World Bank, is one such path that countries could follow. Alternatively, owing to the "poor performance" of these programmes in Africa, some African countries decided to approach the United Nations Economic Commission for Africa (UNECA) for an alternative adjustment programme designed to address the problems of African countries in particular. The United Nations accepted this document on November 17, 1989 as a basis for recovery and transformation in Africa, with only the USA voting against it (Mwinyi, 1990: 42). Both these programmes will be evaluated, as a possible means of adjustment to external shocks.

STRUCTURAL ADJUSTMENT

In general, structural adjustment is typically the transformation from an agriculturally based economy into one where manufacturing industry plays a major role (Spooner & Smith, 1991: 1). Employment, expenditure, output, productivity and prices are all different dimensions of structural change. All of them are interrelated and cannot be considered separately. Hicks says, concerning structural problems, that "if the difficulty which we find is purely monetary, it ought to be possible to find a means of doing something about it, but if the monetary problem hides a real problem, no monetary wizardry can conjure it away" (Leveson & Wheeler, 1980:165). This is a simple test for structural problems, namely anything that cannot be solved through monetary and fiscal policy. It is, however, doubtful whether the problem is so simple. In terms of its current use, structural change refers to distortions in the structure of production and allocation of production factors in an economy as a result of government intervention (Spooner & Smith, 1991: 1). Changes in the availability of resources and in international competition are also forces that change the economic structure (Griffiths & Wall, 1989: 46). The structure of resource allocation on a macro level may be a problem if the balance in the allocation of resources, between the tradable and non-tradable sectors, is not in line with the requirements for external balance in the economy. It may also be a problem if the weakness in resource mobilisation and expenditure planning are contrary to the achievement of internal balance. On the micro level, a structural problem refers to an allocation of production factors that clashes with the natural comparative advantage of the economy. This, in turn, leads to distortions in production. The essential role of a structural adjustment policy is to correct these distortions. There should not be any difficulty in the adjustment process if structural adjustment takes place gradually as the economy changes. There are, however, also structural changes that a country cannot simply adjust to, or do so only with great difficulty and over a long period of time. Each country is unique in terms of its problems, and the implementation of an adjustment programme must be approached with caution. The main problem of establishing such a programme is its enormous financial cost and the fact that results may only be expected in the long run.

THE STRUCTURAL ADJUSTMENT MODEL AND THE AFRICAN ALTERNATIVE

Some of the major development problems in the world today exist in Africa south of the Sahara. Structural problems occurred especially after the occurrence of the exogenous shocks of the early 1970's, like the serious world recession, oil price increases and high real interest rates. The Structural Adjustment Program (SAP) of the IMF and the World Bank as well as the African Alternative Framework to Structural Adjustment (AAF-SAP) was developed specifically to address these problems.

THE ORTHODOX STRUCTURAL ADJUSTMENT PROGRAMME

The IMF identified the structural problem in developing African countries as financial shortage due to excess demand that follows on a rapid expansion of credit. The World Bank suggested an adjustment policy to decrease existing financial shortages in the medium term (3-5 years) by expanding and diversifying import and export substitutes. Rectifying price ratios by means of exchange rate adjustments would do this. In this way it was expected that resources would be allocated more efficiently (Thisen, 1991: 125).

Policy objectives

The objectives of the IMF and the World Bank are that countries should increase the efficiency of the public sector, eliminate price distortions, liberalise trade and increase savings. Both these institutions have agreed to give aid and loans to developing countries that accept the following policy measures (Thisen: 125):

i) Equalise exchange rates with the rest of the world by devaluating currencies set artificially high by governments.
ii) Set higher interest rates that encourage savings and efficient use of resources.

iii) Exercise tight control of money and credit supply.
iv) Cut back on government spending and less use of deficit financing of government projects.
v) Liberalise trade.
vi) Allow the free market to determine prices.
vii) Turn government enterprises over to private businesses.

Although these measures presage difficult times for African countries, this is shock therapy that might work well.

THE AFRICAN ALTERNATIVE

The basic theses of the African Alternative are that: (a) no programme or plan will work unless it is seen as being indigenously formulated and implemented; (b) the diversity of the African situation will not be addressed through the application of a standard formula for all of them; (c) the crisis threatening to overwhelm Africa must be seen first and foremost as a human one, and not merely one of macro-economic disequilibrium; and (d) developmental concerns such as alleviation of poverty, improvement of health, nutrition, education and productivity, cannot be suspended while resources are consumed by the need to correct economic imbalances (Thisen: 123).

The theoretical framework of the AAF-SAP

According to supporters of the "African Alternative Framework to Structural Adjustment Programmes" (AAF-SAP), this approach takes the problem of debt and trade, as well as structural weakness in Africa, into account. In contrast to the IMF/World Bank SAP, the AAF-SAP does not have a theoretical formula that can be implemented in all African countries. The socio-economic situation in individual countries will determine what measures and strategy should be used. A more holistic approach (general equilibrium) is pursued rather than an ad hoc (partial equilibrium) approach. It is expressed by means of three modules or spheres of socio-economic activity that describe the relationship between the production process, distribution of income and the satisfaction of needs (Thisen, 1991: 136). There is a close interaction between the three modules. Lastly, the AAF-SAP contains only broad guidelines and each country must adapt it to its own unique situation in developing an adjustment programme.

The framework focuses on five strategic issues:

i) Pursuit of human-centred self-sustaining development strategy and economic process;
ii) The transformation from a primarily exchange economy to a production economy;
iii) Greater democratisation of the development process and greater accountability by policy-makers and public officials;

iv) Effective mobilisation of social and economic institutions for the tasks of adjustment and transformation; and

v) Renewed effort to accelerate the process of economic co-operation and integration.

Apart from the framework, the AAF-SAP can be divided into three modules. These modules give a brief description of the structure of the economy, namely:

Module 1 (Level and structure of production)

They emphasise the domestic economy, with a movement away from an export-based economy. They stresses the urgent need for shifting from primary production aimed at export markets that antail diminishing returns to producing more for domestic and regional markets. Agriculture and mining inputs must be used to produce higher levels of final goods. Dependence on foreign countries must decline and strategic industries must be granted preferential interest rates to acquire more capital. Land reform will increase food production, and scientific research must be brought into the production process. Financial leakages and capital flight must be stopped. Cutting back on productive capacity for the sole purpose of balancing budgets must be resisted. An adequate social infrastructure is also important.

Module 2 (Income distribution)

A more equal distribution of income will strengthen the domestic market for domestic products and serve to alleviate poverty. An essential condition is better access of the poor and disadvantaged, to the means of production, especially land, labour and capital. A political environment that encourages sustained development and an equitable distribution of wealth must be a national goal. Cuts in non-essential government expenditure, especially military spending, are necessary.

Module 3 (Satisfaction of needs)

Current production policies promote the export of foodstuffs and discriminate against production for domestic consumption. Incentives should favour local production. Consumption of goods that can be produced locally must be encouraged, and less-important imports discouraged. Trade among African countries must increase. Foreign debt suppresses economic progress, therefore, new loans should be for projects with quick and high rates of return and foreign exchange earnings.

Evaluation of the AAF-SAP

Although a theoretical evaluation of the AAF-SAP is possible, the AAF-SAP cannot be evaluated in the same manner as the SAP, simply because no country has yet implemented it. This is so because of a lack of financial support, as the World Bank and the IMF only support their own programmes financially. A particle comparison between the two approaches will thus be substituted with only several broad differences and agreements pointed out in the summary.

SYNOPSIS

There are areas of agreement between the IMF/World Bank approach and the AAF-SAP. These include a better system of financial management and efficiency of public enterprises, stricter financial accountability by government, a slowing down of inflation, improving incentives for agriculture, diversifying exports and more efficient management of foreign debt.

There are naturally obvious differences between the two approaches too. The orthodox SAP implies that the problems of developing countries are mainly due to a shortage of funds for development. To counter this problem it is recommended that countries must restore internationally realistic price ratios by exchange rate adjustments. Interest rates must increase to support savings, and better management of the supply of money and credit is necessary. Government expenditure must be restricted and the public debt reduced. A policy of privatisation must be implemented, and trade liberalised to increase international competition.

The AAF-SAP approach, favours a human-centred adjustment programme with recovery and development taking place simultaneously. A conventional free-market approach cannot work in Africa, according to them. If protection is a worldwide phenomenon, the liberalisation of trade will have no advantage. Because of the inability of the market to eliminate distortions, government intervention is necessary.

Against the background of this synopsis the paper will further evaluate to what extent the adjustment policies applied by the six selected African countries since 1980 have been successful. The evaluation is done in terms of the already mentioned universal conditions for obtaining and maintaining sustainable growth and development. These conditions, once again are **Efficiency in Production, Economic Stability, a Consistent Domestic Policy Mix and the Correct Economic Environment (ESCE).**

EFFICIENCY IN PRODUCTION AND WELFARE GAINS

Sustained long-term growth and development depend primarily on increased efficiency in production. From this follow welfare gains such as higher per capita income and increased employment (Harmse & De Wet, 1994:89-93). This efficiency can be sought through different economic growth and development strategies. Outward orientation in the form of trade liberalisation, promotion of manufacturing exports and steadfastness in the application of chosen policies, seems to be the most effective way (Harmse and De Wet:98-99). According to Olofin (1995,10): " Such a growth strategy would have to be capable not only of promoting properly executed import substitution but also export substitution, such that the export ratio would not rise phenomenally but would be accompanied by diversification in production as well as exports". This approach constitutes the typical IMF/World Bank approach.

A second approach is that of inward orientation. The AAF SAP program supports to a great extent this type of approach. This implies import substitution programmes through protectionism policies (tariffs and quotas), exports subsidies in favour of primary products and overvalued currencies (World Bank, 1987:82-83). However, this approach appears to be ineffective over the long term (Harmse & De Wet, 1994:88-89).

The countries under evaluation, like the majority of Sub-Saharan countries, adopted inward oriented industrialisation strategies in the late 1960s (World Bank, 1987:105-106) as the means of achieving economic development. Given favourable world commodity prices, these countries were able to use the proceeds from their buoyant exports to stimulate domestic manufacturing. Olofin (1995:12) argues that an important factor which hindered or slowed down progress of African countries towards outward orientation was that the governments of these economies, "blessed" with enormous natural resources, did not see the need for liberalisation. The World Development Report (World Bank, 1987: 106) showed that from 1965 to 1973, the region's industrial activity grew at 14 per cent per year. Yet, this growth declined dramatically during the 1970s to 5 per cent per year between 1973 and 1980 and became negative between 1980 and 1985. The countries on which this study focuses, exhibited this pattern in particular. The share of industrial production stagnated, while manufacturing production stayed low in all of them with the exception of Zimbabwe (Table 1). Mining production continued to play a major role in all these countries and influenced economic growth heavily. Such growth therefore depended largely on world commodity prices that were beyond the control of these countries (Thisen, 1992:7). Inefficient manufacturing production resulted from formidable resource constraints, including a critical shortage of labour and other skills as well as inadequate infrastructure (Thisen 6). Their industrialisation programmes failed to deliver manufacturing exports. The industrial sector therefore consumed a great deal of foreign exchange from increased imports while massive excess capacity developed (World Bank,1987:105-106). The current accounts of many of these countries came under pressure (Table 4) and not much welfare gains through increased employment and output surfaced (World Bank:106).

The inward-oriented policies created high-cost, inefficient manufacturing industries. Exchange rate policies were characterised by overvalued currencies, which discriminated against exports. This contributed to lower profitability and discouraged investments in the export industries (World Bank:106). Tariffs and quantitive restrictions protected domestic manufacturers from foreign competition and this fostered inefficient local production. The shortages of foreign exchange caused a booming black market and smuggling flourished. Price and import controls in the case of manufactured products were ineffective and black markets also emerged for these controlled items. Nationalisation increased the inefficiency of industries and foreign investment was discouraged (World Bank:106-107).

The lack of significant manufacturing growth as a result of inward-oriented industrial strategies (Table 1), as well as stagnation or instability in agriculture (Table 8) and export activities (Table 7) contributed to a decline in welfare and growth (Table 2) from the seventies to the mid eighties. In reaction some of the countries made radical policy changes after 1985.

ZIMBABWE adopted an economic adjustment program based on import and price controls, government allocations of foreign currency and high levels of government spending with resultant deficits in the middle seventies (Choplin and O'Leary, Zimbabwe: A-2). Low levels of investment (0.12 per cent of GDP) and GNP growth (-0.8 per cent); unemployment (20 per cent) and increased levels of inflation (12 per cent) prevailed until 1987 (Tables 2-3 and Choplin & O'Leary,1992: Zimbabwe FS-2). As was the case in Zambia, improved world prices for metals and other commodities, good rains which led to robust agricultural output and a depreciating currency fuelled an economic recovery which lasted until 1991 (World Bank, 1994/95:34). The real economic growth rate improved from a negative rate of 1.3 per cent in 1987, to levels of 5,6 per cent (1989), 4.2 per cent (1990) and 4.9 per cent (1991) (Choplin & O'Leary: Zimbabwe FS-2).

On the basis of this recovery, the government launched a five year liberalisation programme in 1990 to improve the efficiency of domestic production (Choplin & O'Leary: Zimbabwe A-6). The aim was to diversify the economy, increase manufacturing exports and attract new foreign investment. The programme was designed to introduce outward orientation in the form of export incentives, to increase capital goods imports, to reduce the budget deficit, and to lift state subsidies and price controls. Signs of success during the early 1990s were limited to a continued increase in manufacturing (Table 1). However the volume of exports have declined sharply since 1990 (Table 7) and unemployment has increased (World Bank, Choplin & O'Leary, 1992: Zimbabwe FS-2). Efficiency in production thus still has to be completed and rounded off.

ECONOMIC STABILITY

The second condition for sustained long-term economic growth and development, is internal and external economic stability. If there is no economic stability, no SAP will bring about economic development (Hiemenz & Langhammer, 1986:125). Also of importance is the way in which a country attempts to effect this stability. If it is done the wrong way, serious instability may result. Internal stability means stability in domestic prices and external stability implies balance of payments stability, including that of the real exchange rate and a healthy external debt position. Studies of country experiences (Harmse, 1992) show that adjustment to external shocks and balance of payments crises can accumulate staggering levels of foreign debt in countries pursuing inward-oriented trade strategies. Many Sub-Saharan countries, unfortunately, have had this experience.

Balance of trade distortions in all of the countries studied in this paper, except Botswana, has led to heavy foreign borrowing in an attempt to offset the effects of instability (Table 5). Over-valuation of their currencies and rising government deficits has resulted in balance of payments instability for most of them since the eighties. **NIGERIA** and **BOTSWANA** (Tables 4, 5 and Choplin & O'Leary, 1993) are notable exceptions. Internal instability through increasing rates of inflation, still remains a problem (Table 3) in all these countries.

The liberalisation programs of **ZIMBABWE (1990)** and **MALAWI (1986)**, brought about accelerating inflation rates (Table 3) and heavy foreign debt (Table 6). Although the reform program of Zimbabwe won the approval of the international financial community (Choplin & O' Leary, 1992: Zimbabwe A-6), economic stability has worsened. The current account remains in deficit (Table 5), while negative net direct foreign investment continues, despite the new investment code introduced in 1991 (Table 9 and Choplin & O'Leary, 1992: Zimbabwe A-6)

MALAWI'S current account has displayed deficits ever since 1980 (Table 4 and World Bank, 1994/95:79). The country continued to finance these deficits with increasing foreign debt, which doubled between 1980 and 1990 and reached a level of 85 percent of GDP by 1993 (Table 6). At the same time net foreign direct investment completely dried up (Table 9). Macroeconomic instability in Malawi thus continues.

BOTSWANA'S liberalisation or adjustment programme has restored a good measure of economic stability since 1987 (Jefferis 1993:2). Gross international reserves increased more than tenfold, to $3300 million plus, between 1970 and 1990 (World Bank, 1994:272), constituting 16 months of import coverage in 1995 (Table 6), as part of an active macroeconomic stabilisation policy to avoid balance of payments crises (Jefferis,1993:3). The rate of inflation increased from 8 per cent in the middle 1980s, to a mere 10 per cent in 1996 (Table 3), which represents a marginal increase compared to the other countries in the region. Botswana avoided many of the negative economic effects, which may result from a booming export sector (Jefferis,1993:6-8). In particular windfall gains in the export sector were not used to finance excessive levels of imports. By 1995, the current account of the balance of payments was still in a surplus (Table 5), with foreign debt still at a very low level (Table 6). Although central government expenditure as share of GNP has increased notably since 1972, the mineral sector and a substantial inflow of net foreign direct investment (Table 9) have generated enough foreign reserves and government revenue, to prevent government expenditure from absorbing all foreign reserve gains (Jefferis, 1993:3-4). Botswana's relative political stability has also contributed to a political commitment to follow appropriate stabilisation policies (Jefferis: 3-4).

DOMESTIC POLICY MIX AND POLICY CONSISTENCY

Many studies of trade liberalisation strategies stress the necessity of policy consistency and the correct internal policy mix to assist trade and development policies (Harmse, 1992; Harmse & De Wet, 1994; and Hiemenz & Langhammer, 1986). The challenge to developing countries in respect of their domestic policy approach, is to become outward-oriented, maintain fiscal and monetary restraint, promote saving and investment, avoid excessive borrowing and not to make abrupt changes in policy measures. A wide belief in the Keynesian message has been a main reason for the inability of African economies to move more successfully from primary import substitution to efficient and sustained long-term industrial production and exports since the 1960's. Large government deficits and cost-push inflation, fuelled by an increase in the money supply with concomitant low interest rates and the believe that governments must and should manage affairs have been and still are the policy approach in many of these countries (Olofin, 1995:13) . As is well known, the Keynesian approach also fosters pump-priming, fine-tuning and other forms of regular policy changes, which are not recommended by the conditions of ESCE. Many Latin American and Sub-Saharan African Countries stagnate around Primary Import Substitution (PIS) or oscillate between (PIS) and the Secondary Import Substitution phase (SIS), moving from control regimes , to partial, feeble liberalisation and back to control and strict regulation. (Olofin, 1995:12).

The maintenance of positive real rates of interest and stable exchange rates is a prerequisite to attract private savings that can be allocated amongst alternative investment opportunities. A reduced and new pattern of public expenditure is necessary: expenditure on education, health, science and technology, infrastructure and environmental protection must receive the highest priority (Harmse 1992, and Harmse & De Wet, 1994:97-98). (See also Environment).

The only country in Sub-Saharan Africa studied in this paper to adopt such a consistent domestic policy mix was Botswana. Nigeria could have been quite successful, but for the fact that it lacked consistency in its promising policy approaches. Zimbabwe has had mixed results.

In **ZIMBABWE** the government's policy mix, as part of its adjustment programme of economic liberalisation during 1990, was aimed at gradually dismantling the existing system of public control and inward-orientation. It comprised fiscal restraint by attempting to reduce the budget deficit to 5 per cent of GDP, by promoting exports through export incentives and by restructuring the heavy tax system and the unprofitable parastatals (Choplin and O'Leary, 1992: Zimbabwe A-6). Limited signs of success and early consistency indeed exist. The objective of reducing the government budget deficit was reached in 1993 when the deficit as percentage of GDP was 4.4 per cent (World Bank, 1994/95: 186). The reform plan has also begun to win the approval of the international financial community as net direct foreign investment increased substantially to $22 million by 1993 (World Bank: 80) Although doubts remain as to how extensively it will be.

implemented, investor confidence has been bolstered by the: "diminution of the regime's socialist rhetoric and by Mugabe's new commitment to economic liberalisation, especially in trade and investments (Choplin & O'Leary, 1992:Zimbabwe A-6).

ENVIRONMENT

It has not been possible yet to evaluate the attempts of the selection of African countries under study in this paper to create a stable and sustained environment, due to a lack of information and statistical data. However, some deductions can be made from important development strategy studies, dealing specifically with the African problem.

Despite structural adjustment attempts, annual average growth in Sub-Saharan Africa as a whole declined further from 3.4 per cent (1967-80) to less than 2.0 per cent (1980-1992) and with an average annual population growth rate of about 3 per cent, poverty in the region is deepening (Olofin, 1995:4). Although, according to Olofin (4-7), the main reasons for this deterioration in welfare are low domestic saving and investment as a percentage of GDP plus dismal real agricultural and industrial growth, the inability of these African economies to create a sound environment is just as important.

The creation of the right kind of environment is necessary to successfully enact and particularly to sustain the effect of the first three conditions of efficiency, stability and consistency (ESC). The environment must create the domain within which economic growth and development can prosper (Focus 48, 1992:4-5). Without human, institutional and infrastructural development, outward-looking growth and development will fail or at best not be sustainable. The conditions for a sound and stable environment involve developing human resources, building of infrastructure, institutions and technological and entrepreneurial capabilities to export. (Brinkman, 1995:2).The creation of this environment calls for direct government intervention - the so-called structuralism and neo-structural critique of the neo-liberals (Olofin, 1995:23). Such intervention must, of course, in the light of what has been said in earlier paragraphs, take place in harmony with and in the context of the other elements of ESCE - and in particular with the maintenance of overall fiscal restraint.

In an attempt to address the failure to reduce their vulnerability to external shocks, facilitate stable and sustained growth, improve increasing living standards, alleviate poverty and promote regional economic co-operation, African countries, under the leadership of the United Nations Economic Commission for Africa (UNECA), introduced several alternative frameworks for sustained growth and development in Africa (As had been discussed above). At the centre of this alternative framework, is the human dimension ". . . it is only through the motivation and the empowerment of people as well as the ensuring of the equitable distribution of income that development can take place on a sustainable basis. An adjustment programme that marginalizes people is doomed to failure" (UNECA, 1989:iii). It has not, so far, been implemented successfully in the sense that the GDP per capita for Africa in 1994 was lower than a decade ago and the inhabitants of the region are now on average the poorest of any developing region (Brinkman: 1). It may be that the human dimension has not been properly implemented or it may also be that it has not been tied up properly to the other elements of ESCE. However, this approach illustrates how Africans themselves think. In view of the fact that education played such an important role in the domestic policy mix of the successfully developing Far Eastern countries (e.g. Jahed, 1995; Schive, 1995), the African approach cannot be rejected.

Olofin offers an alternative development strategy for Africa, namely the POSH-strategy (Producer Oriented Small Holder Strategy. It still places the emphasis on an inward looking industrialisation strategy based on: "(i) initial reliance on domestic markets to meet domestic needs; (ii) emphasising labour intensive small holder technology and enterprises to take advantage of a relative abundance of labour; (iii) cultivating horizontal linkages between agriculture and small-scale manufacturing as a way of developing a technological base....; (iv) finally, emphasising investment in human capital to increase absorptive capacity for domestic and foreign capital." (Olofin, 1995:17). The importance of human development is once again noted.

Asante (1995:9) pointed out that both investment in human development and in infrastructure take a long time to bear fruit, but that they must be initiated during the adjustment period if development is to be achieved. The question is whether inward-industrialisation combined with human and infrastructure development alone will be sufficient to effect sustainable long-term growth and development. At this stage we do not have data available to test any hypothesis in this respect for Africa, as was done above in the case of Efficiency, Stability and Consistency. It could be argued, however, that a properly developed human and physical Environment is a necessary fourth condition. Outward-orientation and the increase bring about efficiency in productivity that flows from the resulting external competition. Without the development of human and physical infrastructure, the domestic agents and economic processes will simply crumble before the external competition. Yet, viewed from the other side, the development of human and physical infrastructure will never be put into full gear to effect long-term growth and development if the potential is not triggered and propelled into high productivity by competition from outside the country (De Wet, 1995). Thus the addition of a proper Environment in respect of human, physical and institutional infrastructure as a fourth condition towards possible necessary and sufficient conditions for sustained long-term growth and development.

CONCLUSION

External shocks were responsible for economic change to which countries had to adjust. The interaction between the economy and polity of a country sometimes leads to politically inspired economic decisions, rather than decisions based on purely economic principles. This causes problems that can only be addressed over a long period of time. There exists a viewpoint that international co-operation sometimes amounts to "colonial intervention" and this is perceived as a form of subjection. The self-interest of the political leadership should play a lesser role than that of the common people. Public participation and support for any adjustment programme is both essential to be successful. Uncritical popularity simply to seek votes must be prevented if the economy can be harmed in the process. So would the voters, whose interests politics ostensibly serves.

Certain broad policy measures for economic growth and development can be gained from the experiences of both the successful and unsuccessful countries. Policy recommendations would then include the following: Deregulation on all levels and a leading role for the private sector. A disciplined budget and an equitable distribution of income are important. Quotas must be eliminated and tariffs reduced over a wide spectrum. Control over the exchange rate must be abolished and left to fluctuate. The government can play an active but limited role in support of market forces. Labour problems must be depoliticised with increased productivity as an objective. Domestic as well as foreign competition must be accepted, and an outward policy implemented. A strong manufacturing industry that can function competitively must be a priority. In this way the outflow of capital can be discouraged and exports promoted. Lastly, services like tourism must be promoted, where many developing countries' comparative advantage happens to lie.

Although there may be criticism of such measures, a government must persist and be consistent if it wants success in the long term. Political popularity may decline in the short term, but the long-term advantages of economic growth and higher standards of living, will ensure increased political support.

The conditions (Harmse & De Wet, 1994) for sustained long-term growth and development appear to apply to the African countries studied in this paper. Those countries who persevered in outward-orientation, internal and external stability (including fiscal and monetary discipline) and a consistent, correct policy mix, enjoy sustained growth. There is but one such country, namely Botswana, although Nigeria has also had some success. The other countries have been inconsistent in their policy applications and have alternated outward-oriented with inward-oriented policies; fiscal and monetary discipline with laxity and consequently have experienced various degrees of internal and external instability with low or declining growth (see Table 10 for a summary). We still need data to test the effect of the fourth condition, namely development of the human and infrastructural environment, although a theoretical argument could be made out for its necessity.

BIBLIOGRAPHY

Asante, S.K.B. (1995). *Economic development in Africa, challenges, realities and the way forward.* Public lecture to the Economic Society of South Africa, Pretoria, 17 October.

Brinkman, H. (1995). *Adjustment in Africa and the long road to development.* Project Link Conference, Pretoria, South Africa, 25-29 September.

Choplin, W.D. and O'Leary, M.K. (eds). (1993). *Political risk yearbook : Sub-Saharan Africa, 1992*, Volume IV, New York: IBC USA Publications.

De Wet, G.L. (1995). *The prognosis for growth and development in South Africa.* Presidential Address, biennial conference of the Economic Society of South Africa, Johannesburg, 7 September.

Focus on Key Economic Issues No. 48. (1992). *Requirements for growth and development in South Africa.* SBDC, Johannesburg, October.

Griffiths, A. & Wall, S. 1989. *Applied Economics.* Third edition, United States of America: Longman.

Harmse, C. (1992). *'n Effektiwiteitsmodel vir suksesvolle integrasie in en aanpassing by die Wêreldekonomie, met toepassing op Suid-Afrika.* Unpublished Doctoral Thesis, University of Pretoria.

Harmse, C. and De Wet, G.L. (1994). Conditions for economic growth and development in South Africa, *The South African Journal of Economic and Management Sciences*, Volume 13 Winter 1994.

Hiemenz, U. and Langhammer, R.J. (1986). Efficiency pre-conditions for successful integration of developing countries into the world economy. *International Employment Policies.* Working Paper no.2, Institute for World Economics, Kiel, Germany.

Jahed, M.I. (1995). *Structural adjustment programmes and the new South Africa: Lessons from international experience.* Unpublished doctoral thesis, Department of Economics, University of Pretoria.

Jefferis, K. (1993). *Does Botswana's economic success hold lessons for other countries in Southern Africa?* Paper delivered at the biennial conference of the Economic Society of South Africa, Pretoria, October.

Leveson, I. & Wheeler, J.W. 1980. *Western Economies in Transition: Structural Change and Adjustment Policies in Industrial Countries.* Colorado: Westview Press.

Mwinyi, A.H. 1990. *Alternative Development Strategies for Africa.* Institute for African Alternatives, London: vol. 1, p. 1-175.

Olofin, S. (1995). *Economic development in Sub-Saharan Africa.* Project Link Conference, Pretoria, South Africa 25-29 September.

Schive, C. (1995). *Implications of Taiwan's economic development experience.* Paper read at the conference: The Taiwan experience: Implications for South Africa. Pretoria: Unisa, August 26.

Spooner, N.J. & Smith, L.D. 1991. *Structural Adjustment Policy sequencing in sub-Saharan Africa.* A report prepared for the Policy Analysis Division of the Food and Agriculture Organisation of the United Nations, Rome, 1991.

Sreeten et al, P. 1987. Structural Adjustment: A Survey of the Issues and Options. *Word development*, vol. 15, no. 12, p. 1469-1482.

Thisen, J.K. (1992). *Briefing on the socio-economic activities of the United Nations Economic Commission for Africa: A historical background.* Paper presented at the Economics Department of the University of Pretoria, August 2-6.

Thisen, J.K. 1991. The Design of Structural Adjustment Programs: The African Alternative Framework. *Africa Development*, vol. 16(1), p. 115-164.

United Nations Economic Commission for Africa, 1989. *African Alternative Framework to Structural Adjustment Programmes for socio-economic Recovery and Transformation (AAF-SAP),* United Nations, E/ECA/CM.15/6/Rev.3.

World Bank. (1989). *Sub-Saharan Africa, from crisis to sustainable growth: A long-term perspective study,* Washington, D.C. : Oxford University Press.

World Bank. *World development report,* Various issues, Washington, D.C.: Oxford University Press.

World Bank. (1992). *Trends in developing economies 1992.* Washington, D.C. Oxford University Press.

World Bank. (1994/95). *African development indicators.* Washington, Publications, The World Bank, Paris.

Table 1: Share of Industrial and Manufacturing Production In GDP (%)

	Industry					Manufacturing				
	1965	1979	1987	1993	1995	1965	1979	1987	1993	1995
Nigeria	13	45	43	32	53	6	5	8	9	5
Botswana	19	41	57	42	46	12	9	6	8	4
Zimbabwe	35	39	43	28	36	20	25	31	22	30
Malawi	13	20	18	18	27	6	12	9	12	18
Zambia	54	41	36	48	40	6	16	23	27	30
Kenya	18	21	19	18	17	11	13	11	12	11

Source: World Bank, **World Development Report (Various issues);** World Bank, **African Development Indicators, 1994-95.**

Table 2: Growth in Gross Domestic Product and GNP per Capita (%) (1960-1995): Average Annual Percentage Growth Rates

	GDP				GNP per Capita			
	60-70	70-80	80-90	90-95	60-80	65-90	85-92	85-95
Nigeria	3.1	6.5	1.4	1.6	4.1	0.1	3.4	0.8
Botswana	4.5	13.9	11.3	4.2	3.0	8.4	6.6	6.1
Zimbabwe	4.3	1.6	2.9	1.0	0.7	0.7	-0.7	-0.6
Malawi	4.9	6.3	2.9	0.7	2.9	0.9	0.7	-0.7
Zambia	5.0	0.7	0.8	-0.2	0.2	-1.9	2.2	-0.8
Kenya	6.0	6.5	4.2	1.4	2.7	1.9	0.9	0.1

Source: World Bank, **World Development Report (Various issues);** World Bank, **African Development Indicators, 1994-95.**

Table 3: Inflation rate: Average Annual Percentage Growth

	1960-1993				1990-1996						
	60-70	70-80	80-90	90-93	1990	1991	1992	1993	1994	1995	1996
Nigeria	2.6	18.2	17.7	30.5	7.3	13.0	44.5	57.2	57.0	72.8	29.3
Botswana	13.0	8.0	12.0	13.4	11.4	11.7	16.2	14.2	10.6	10.5	10.0
Zimbabwe	1.3	8.8	10.8	27.5	17.3	23.3	42.0	27.5	22.2	22.6	21.1
Malawi	2.4	9.8	14.7	15.7	11.8	12.7	22.6	19.6	34.6	83.3	37.6
Zambia	7.66	8.1	42.2	149.2	117.5	92.6	197.4	189.0	53.6	34.2	45.2
Kenya	1.5.	11.0	9.2	27.7	15.6	19.8	29.6	45.8	29.0	0.8	8.8

Source: World Bank, **World Development Report (Various issues)**; World Bank, **African Development Indicators, 1991-96.**

Table 4: Exchange rate stability (domestic currency/US dollar)

	1991	1992	1993	1994	1995	1996	1997
Nigeria (Naira)	9.862	19.646	21.882	21.997	21.887	21.886	21.886
Botswana (Pula)	2.07	2.26	2.56	2.71	2.82	3.65	3.80
Zimbabwe (Zim$)	5.05	5.48	6.93	8.38	9.3	10.83	18.62
Malawi (Kwacha)	2.67	4.40	4.50	15.30	15.30	15.32	
Zambia(Kwacha)	88.97	359.71	500.00	680.27	1000.0	1282.05	
Kenya (Shillings)	28.07	36.22	68.16	44.84	55.94	55.02	62.68

Source: World Bank, **World Development Report (Various issues)**; World Bank, **African Development Indicators, 1994-96.**

Table 5: Current Account of the Balance of Payments: 1985 -1996 ($ Million)

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Nigeria	2566	366	-69	6194	1090	4988	1203	2268	-780	-2128	-510	3092
Botswana	81	111	663	188	498	137	336	244	503	243	342	
Zimbabwe	-76	7	48	117	-3	-172	-489	-617	-115	-328	-425	-
Malawi	-124	-89	-55	-53	-138	-64	-194	-223	-117	-182	-450	-
Zambia	-398	-350	-248	-295	-222	-597	-227	-284	-165	-449	-	-
Kenya	-110	-37	-494	-460	-579	-520	-215	-98	71	98	-480	-166

Source: World Bank, **World Development Report (Various issues)**; World Bank, **African Development Indicators, 1994-95.**

Table 6: Import Coverage Ratio of Reserves and Total External Debt: 1980-1995

	Monthly Import Coverage of Foreign Reserves					Total External Debt: ($ million)					External Debt/GDP (%)		
	1980	1985	1990	1993	1995	1980	1985	1990	1993	1995	1980	1993	1995
Nigeria	6	2	5	1	0.5	8 934	19550	34538	32531	35005	10	52	140
Botswana	4	11	17	18	22.0	147	351	560	674	699	16.3	15	16
Zimbabwe	3	3	2	3	3.8	786	2 415	3 247	4168	4885	15	44	79
Malawi	1	1	3	1	1.5	821	1 018	1 584	1821	2140	72	85	166
Zambia	1	1	1	0	1.2	3 261	4 576	3 247	6853	6853	90	137	191
Kenya	2	3	2.1	1.1		3 394	4 201	7 126	6993	7281	48	73	98

Source: World Bank, **World Development Report (Various issues)**; World Bank, **African Development Indicators, 1994-95.**

Table 7: Export Unit Values: Average Annual Percentage Growth Rates: 1975-1995

	1975-1979	1980-1985	1986-1990	1990-1995
Nigeria	9.8	1.5	0.9	1.9
Botswana	5.4	-1.6	16.1	0.8
Zimbabwe	5.7	-2.8	8.2	-6.6
Malawi	4.3	-4.1	4.1	-1.8
Zambia	-0.1	-6.5	14.6	26.9
Kenya	11.2	-0.8	-3.8	16.6

Source: World Bank, **World Development Report (Various issues)**; World Bank, **African Development Indicators, 1994-95.**

Table 8: Agricultural Production: Average Annual Percentage Growth Rates

	1975-1979	1980-1985	1986-1992	1990-1995
Nigeria	-1.5	2.9	6.7	2.3
Botswana	-0.7	-0.9	1.1	0.7
Zimbabwe	-0.9	2.8	-2.8	1.6
Malawi	5.2	1.5	0.9	1.7
Zambia	-5.4	2.0	0.5	-0.5
Kenya	4.6	3.0	2.1	-0.4

Source: World Bank, **World Development Report (Various issues)**; World Bank, **African Development Indicators, 1994-95.**

Table 9: Net Foreign Direct Investment : Average Annual ($million)

	1975-1979	1980-1985	1986-1992	1995 *
Nigeria	343	210	747	453
Botswana	31	59	76	64
Zimbabwe	0	0	-8	99
Malawi	6	3	0	-14
Zambia	32	26	75	30
Kenya	44	19	30	-42

* Net Private Capital Flows

Source: World Bank, **World Development Report (Various issues)**; World Bank, **African Development Indicators, 1994-95.**

Table 10: ESC Summary

COUNTRY	REAL GROWTH EXPERIENCE	EFFICIENCY IN PRODUCTION	ECONOMIC STABILITY	DOMESTIC POLICY MIX AND CONSISTENCY
Nigeria	Average of 3.7% (1990-1993), against an average of 1.8% during the eighties. Per capita growth improved between 1985 and 1992.	Limited success due to moderate beginning of outward orientation. Manufacturing: Small increase in share of GDP since 1990. Exports: Limited growth since 1990.	Internal and external instability have increased since 1991. Inflation rate up to 73% by 1995 and external debt/ GDP ratio to 52% by 1993.	Inconsistent: Reforms in 1985, relaxation in 1988. Reintroduced in 1990 but followed by excessive government expenditure and monetary laxity in 1991.
Botswana	Lower, but still satisfactory levels of growth at an average of 4.9% (1992-1996), against 11.3% (1980-90). Per capita growth declined, but is still on a high level.	Rapid increase in production through outward orientation due to increased mining exports (diamonds). Danger of dutch disease imminent. Manufacturing: Small increase in share of GDP by 1993. Exports: Strong growth since 1985.	Internal and external stability prevail. Rate of inflation stabilised at 11-14%. External debt to GDP ratio is low at 15%. The current account of the b.o.p. stays in surplus.	Consistent with avoiding balance of payments crises and encouraging direct foreign investment. Monetary and fiscal discipline. Well-planned public expenditure programmes. Consistency
Zimbabwe	Negative average growth (-0.7%) and per capita growth rates between 1990 and 1993.Slightly recovery since 1995 due to good agriculture crops	Partial success due to limited outward orientation. Export unit values: Strong growth since 1986. Manufacturing: Decreased shares in GDP between 1987 and 1993.	Internal instability: Rate of inflation increased to 27.5% by 1993(17.3% in 1990). External instability: External debt to GDP ratio increased to 44% by 1993.	Limited signs of success and consistency. Government budget deficit decreased and direct foreign investment increased by 1993.

Table 10: ESC Summary

COUNTRY	REAL GROWTH EXPERIENCE	EFFICIENCY IN PRODUCTION	ECONOMIC STABILITY	DOMESTIC POLICY MIX AND CONSISTENCY
Malawi	Rapid deterioration in average growth rate since 1980. Per capita growth is also on the decline.	Unsuccessful outward orientation lead to inefficient production and deficient growth. Manufacturing: Share in GDP stagnant. Exports: Low growth since 1990.	Internal instability: Rate of inflation increased to 83.3% by 1995 (11.8% in 1990). External instability: External debt to GDP ratio increased to 85% by 1993.	Lack of consistency in policies supportive of the SAP. Fiscal and monetary laxity.
Zambia	Improved but low average growth (2.2%) and average per capita growth (2.2%) between 1990 and 1993.	Adjusting to more efficient production through outward orientation. Manufacturing: Increased share since 1987. Exports: Strong recovery from 1985 onwards.	Internal instability: Rate of inflation increased to 189% by 1993(117.5% in 1990). External instability: External debt to GDP ratio increased to 137% by 1993.	Stop and go policies since 1985 have been detrimental to stability and growth.
Kenya	Rapid decline in average growth rate to 0.9% (1990-1993), against 4.2% (1980-1990). Per capita growth rate on the decline since 1990.	Adjustment process is not successful due to slower industrial growth caused by inward orientation. Manufacturing: Share in GDP low. Exports: Negative growth rates.	Internal stability sine 1994: Rate of inflation decreased to only 0.8% in 1995 (45.8% in 1993). External instability: External debt to GDP ratio increased to 73% by 1993.	Lack of consistency in policies supportive of the SAP. Fiscal laxity and unproductive public sector.