THE TRANSITION TO MARKET ECONOMY: THE CHALLENGES AND OPPORTUNITIES FOR SUB-SAHARAN AFRICA

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I Introduction

The process of transforming Sub-Saharan African from State-regulated to Market-oriented economies started in 1980 when the first group of about ten countries adopted World-Bank suported Structural Adjustment Programmes (SAPs). By mid 1980s, 29 countries in the region were implementing these programmes and by end of 1980s and beginning of 1990s the movement towards liberalised market-oriented economies had gathered virtually irresistible momentum, partly spurred on by the collapse of the socialism in the former Soviet Union and Eastern Europe and increasing conditionalities imposed by both bilateral and multilateral donors.

While modalities, and speed of implementation, and impact of economic reforms in Africa continue to attract considerable debate and controversy, the need for major reforms of African economies after three decades of tight state control, is no longer in much dispute. Considerable consensus seems to have emerged that many of the social and economic problems that have plagued the region can be attributed to inappropriate and inefficient economic structures that need change: "The devastating problems of mass poverty, food shortages, the low productivity rates of the key economic sectors and the low standards of living in many of the national economies in Sub-Saharan Africa are a direct result of the production, consumption and employment structure, the production technologies and the socio-political organizations in the African countries." (Jalloh, S.B; 1993. 36)

This paper reviews the nature of the Sub-Saharan African economies that emerged after the end of the colonial era in 1960s, with special emphasis on the phenomenal increase in the state control on the average economy in the region and, discusses the rationale and the nature of economic reforms that were introduced in the 1980s and early 1990s. The paper then explores the challenges and opportunities that face Africa in the transition from state-controlled to market-based economies. Four case studies are examined to illustrate the varied experiences of the countries in the region.

II Sub-Saharan Economies: A Historical Perspective

The majority of Sub-Saharan Africa, especially those formerly under British and French colonialism, attained their independence in 1950s and 1960s, at the height of the ideological cold war between America and her Western European allies on the one hand, and the Soviet Union and her Eastern European allies on the other. The two super-power blocks made overt and covert efforts to win the new African nations over their respective ideological camps. By the end of 1960s references were commonly being made on these countries as either "capitalist" or "socialist"/"communist" on the basis of where they obtained economic or military support or simply on pronouncements made by their leaders. Consequently, countries like Kenya, Liberia, Nigeria among others, came to be referred to as, "capitalist" while others like Tanzania, Congo, Guinea, Ethiopia, Angola, Mozambique, etc, were frequently referred to as "socialist", "communist", or "marxist".

However, a close examination of the actual economic structures of most of the Sub-Saharan countries reveals that the differences between them were not as significant as the ideological labels put on them tended to suggest. In the majority of these countries, both the public and private sectors played important roles, a reflection that they were essentially 'mixed' economies, rather than either capitalist or socialist in the real sense of the terms. One of the main features of mixed economies is that part of the productive resources is privately owned and operated while the other part is controlled by the public sector, the actual proportions differing from country to country.

There has been considerable debate in Africa in the last two decades of post-independence era about the merits and demerits of private and public sectors. Proponents of an enhanced role of the private sector have held the view that the sector creates and facilitates more dynamism in the economy, through market forces; that the private sector helps to reduce the burden on the government, with the free enterprise system operating through an "invisible hand" as private entrepreneurs attempt to maximize profits; that the market forces provide a more conducing environment and incentives for exploitation of entrepreneurial potential in the economy while the public sector, more often than not, tended to stifle such potential.

On the other hand, the proponents of the increased role of governments in an economy argued that strong intervention of the government was essential and critical in developing economies, that it reflected the presence of political and social ideologies which rejected the idea of entrusting all decisions to market forces, and that it had been demonstrated that in developing economies market forces alone could not perform all economic functions in the socially desired way. This school of thought regarded government participation in the economy as necessary to guide, correct, and supplement the market forces.

The superiority of free enterprise vis-a-vis state control over the economy in the development process is an issue that has featured considerably among the academics in Africa. Interesting comparison has often been made between the U.S.A. and U.S.S.R, China and Japan, South and North Korea, Eastern and Western Europe, Kenya and Tanzania, and others in an attempt to show that the differences in economic performance between these economies were attributable to the adopted ideologies or economic systems. Although there are many factors which need to be taken into consideration before the differences can be adequately explained, there are many who believed that a market-based economic system was generally more conducive to rapid economic growth compared with socialist or state controlled economies. The opponents of this view, however, countered it with the argument that some of the economic results achieved in free enterprise economic systems were at the expense of rising inequalities, poverty and exploitation.

One of the common characteristics of the majority of African economies in late 1970s and early 1980s, irrespective of whether they were termed "capitalist" or "socialist" was the prominent role that the public sector played in these economies. The post-independent African leaders regarded an increased role of the public sector as the most effective way of rapidly changing the underdeveloped structures which they had inherited, (World Bank, 1981: 5; Michael Todaro, 1981).

II. 1 The Growth of Public Enterprises in African in 1960s and 1970s

The widely held belief about the need for an increased role of government was one of the contributing factors to the rapid expansion, in 1960s and 1970s, of government ministries, departments and parastatal enterprises involved directly in the production of goods and services.

The phenomenal growth of public enterprises in the first two decades of Africa's post-independent period can, however, be attributed to a number of other factors. A review of the reasons often cited to justify this growth shows that many of these enterprises were not established only for economic reasons but also for a wide range of social and political objectives.

As they emerged from colonialism, the majority of countries in the continent faced a serious shortage of local entrepreneurs with the required capital and skills to initiate development projects on their own. It was therefore argued that if these countries were to achieve rapid development without relying heavily on foreign investors, the government had to step in and play the role of an entrepreneur.

This led, in the majority of the countries, to the establishment of many parastatals engaged in productive activities and others aimed at creating the necessary infrastructure and acting as catalysts in the development process. In

Kenya, for instance, parastatals such as the Kenya Industrial Estates (K.I.E.) and Industrial Commercial and Development Corporation (ICDC) were established to facilitate indigenisation of the economy, especially in terms of assisting local entrepreneurs to increase their share of the country's industrial sector. Similar reasons have been cited to explain growth of parastatals in many other African countries (Nsekela, A.S. 1974: 112).

Public enterprises were also created to facilitate development of sectors which were not attractive to private investors due to either high degree of risk involved, or low and delayed returns to the investors. There were also cases where foreign investors, afraid of nationalisation of their enterprises, were reluctant to invest in development countries unless the host government was participating as a partner.

In the case of economic activities which were by nature natural monopolies and those regarded as politically or economically strategic, governments generally preferred to run them as public enterprises rather than allow them to operate as private sector firms, fearing that consumer and national interests would be jeopardised. In Ethiopia, parastatals were seen as a means of helping the country to achieve economies of scale, removing duplicative activities and reducing costs and wastage of scarce resources (Mulat, T. 1985: 96).

Other economic, social and political factors which influenced the expansion of the role of the government in the economy, especially in terms of establishing parastatals in African countries were the quest for a more equitable distribution of incomes and a more balance regional distribution of industries, rapid diversification of the economies, the search for ways and means of increasing employment opportunities, and the need to provide essential goods and services to the people. This was regarded as crucial in view of the fact that many countries faced serious and growing inequalities between the rich and the poor. In some of these countries, the richest 10 per cent of the population controlled closed to 60 per cent of the national income. Inequalities were readily observable in the highly skewed land and property ownership, huge wage differentials between skilled and unskilled workers and unequal access to education, health and other social services, which in turn widened the gap even more.

III The Rationale and Nature of Economic Reforms in Sub-Saharan Africa

Since late 1970s multilateral and bilateral donors led by the World Bank and the International Monetary Fund (IMF) have held the view that the decline in economic performance of Sub-Saharan Africa was largely due to structural distortions of the economies as a result of pursuing inappropriate economic policies such as overvalued currencies, excessive government intervention and participation in the economy through inefficient public enterprises, overprotection of domestic firms, poor infrastructure, general lack of an enabling environment for the private sector.

The World Bank which emerged in 1980s and 1990s and the moving force behind economic reforms in Africa, argued that the public sector had become overextended in many of the countries, especially given these countries' scarce financial and skilled manpower resources as well as managerial capabilities. The Bank concluded that this had "resulted in slower growth than might have been achieved with available resources, and accounts in part for the current crisis", (World Bank, 1981: 5). In the Bank's view, Africa's persistent balance of payments and budgetary deficits, economic stagnation and insufficient investment resources for the private sector would have been less serious if government participation in the economy was reduced to facilitate a greater role for market forces.

While dissatisfaction with heavily government controlled economies had started to be voiced as far back as early 1970s, concerted criticism of government intervention in the economies and the role of parastatal enterprises became more pronounced in 1980s especially after the publication of the World Bank's *Accelerated Development in Sub-Saharan Africa: Agenda for Action* (World Bank, 1981).

The United Nations Economic Commission for Africa, which made an independent effort to design an alternative framework to Structural Adjustment Programmes, came up with a programme that was not radically different. The main difference between the World Bank and IMF programmes on one hand and UNECA's on the other, was largely areas of emphasis rather than the general orientation.

According to ECA, the World Bank and IMF had overstressed the contribution of the internal and external financial balances balance of payments, foreign exchange resources, budget deficits, exchange rates and inflation in their analysis of causes of Africa's economic crisis. According to the ECA, efforts directed mainly at changing the macro-economic framework were not sufficient to bring about the type of transformation required in the African economies for they ignored the weak production structures, underdeveloped markets, and thus the inability of these economies to react to changes in the macro-economic aggregates or to market signals. On the basis of their analysis, the World Bank and the IMF had tended to develped programmes mainly focusing on short-term fiscal and monetary policy measures to restore the balance of payments equilibrium.

The ECA further argued that for countries with structural deficiencies common among the sub-saharan economies, the World Bank and IMF reform programmes, with emphasis on short-term restrictive budgetary policies, are not only ineffective but world have negative repercussions in terms of declining incomes, deteriorating unemployment, poverty and provision of essential social services. Due to these weaknesses of IMF and World Bank reform programmes, many leaders in African were reluctant to implement them for fear of causing political and social unrest. It was also often argued that due to the low ability of economies to respond to market changes, many of the reform policies such as trade liberalization and devaluation do not often have the intended effects.

III. 1 Motives and Nature of Reforms:

From the point of view of the reforming contries, there have been two main motives for implementing the economic reforms. Some countries implemented reforms in order to stimulate economic performance through increased savings, investment and export earnings and to establish macro-economic stability through reduction of budgetary and balance of payment deficits and inflationary pressures. Some other countries however, introduced economic reforms mainly as a means of obtaining external resources as both multilateral and bilateral donors had made adoption of Structural Adjustment Programmes a Conditionality for gaining access to these resources.

Most of the economic reforms in Africa have focused on improving resource allocative mechanism and economic performance through elimination of structural distortions that had arisen from many years of excessive state controls. Thus, while there were considerable differences in areas of emphasis in the economic reforms implemented in various African countries, the structural adjustment packages for most of the countries included common measures such as allowing market forces of supply and demand to determine exchange rates, product and factor prices; reduction or removal of subsidies, barriers to domestic and external trade, exchange controls, licensing mechanisms, budgetary and balance of payments deficits; privatisation and restructuring of public enterprises; and generally a reduction of the role of the government in the economy.

III. 1. 1 Privatization

Privatization of public enterprises has been one of the common reform programmes in many Africa countries. The rationale for privatization is based on arguments that privately owned and managed enterprises had generally better performance, that public enterprises have been grossly inefficient and were also a contributing factor to budgetary deficits for most Sub-Saharan African countries.

Estimates show that losses from public enterprises were as high as 5% of DGP of Sub-Saharan economies by end of 1980s.

In Tanzania about half of the country's public enterprises persistently recorded losses during 1980s while in Cameroon, the losses of public enterprises, often exceeded the governments' total revenue from one of the country's main economic activities (UNDP, 1993: 45–48). In Kenya, out of more than 300 public enterprises only 6 had ever declared a dividend by end of 1970s (Republic of Kenya, 1982). Persistent losses by parastatals had become a major constraint for many African countries in their efforts to provide effective social services like health, education, sewerage and water because the governments had to finance the losses of the enterprises through subsidies.

Unfortunately, privatization has been extremely slow in Africa. By end of 1991, only 373 enterprises, constituting 5% of public enterprises had been privatised, compared with 5,305 enterprises (78%) iin Eastern Europe, (UNDP, 1993: 48).

A wide range of factors explain this slow process of privatisation. First, many governments were reluctant to let go parastatals because they often served as a highly convenient patronage base for politicians in terms of giving the top political leaders opportunities to give favours, etc. in terms of tenders, promotions and appointments. Another constraint was that often there were not enough local entrepreneurs with adequate financial abilities to purchase the enterprises, which was complicated by the fact that in most of the countries it was politically sensitive to allow foreigners acquire these parastatals. Acquisition of public enterprises by foreign investors was regarded as a reversal of the indigenization process which had been pursued in the 1960s and 1970s.

In some countries, privatisation was delayed due to corrupt practices as the authorities sought to dispose the enterprises to their friends or other politically connected people without sufficient transparency. Sometimes privatisation was delayed by genuine legal and valuation issues and sometimes due to lack of demand for some of the enterprises, especially those with poor performance record over the years.

The clash programme nature of privatization adopted in many countries was generally above the capabilities of these countries and was also a contributing factor to some of the weaknesses found in the privatisation process. As one of the studies noted: "The private sectors of African economies cannot absorb a blanket and indiscriminate privatisation of state companies" and in many cases. They are acquired by multinational companies with no intention of continuing to run them, but to shut down the privatised plants and import similar products from their production plants abroad", (Jalloh, S.B. 1993: 47).

IV Effects of the Implementation of Economic Reforms in Sub-Saharan Africa: Challenges and Opportunities

IV. 1 The Challenges to Reforms

Africa's transition from state regulated to market-based economies in the last fifteen years has confronted many challenges. Thus, inspite of the opportunities that are associated with attainment of an effectively liberalised economy, the process of creating such economies has been rather slow. Some of the challenges facing African countries in this process include overcoming the ideological leanings of a significant group of political leaders and some academics that state controls were essential in the development process; the small size of the private sector and indigenous entrepreneurship; underdeveloped infrastructure and markets which limited the supply response from various market forces; the wide-spread perception that reforms were externally initiated by bilateral and multilateral donors; and the short-term adverse effects on some of the socially vulnerable groups and infant industries.

Economic reform programmes in Africa have focused on the following fiscal adjustment, liberalization of external and domestic trade, exchange rate reforms, and privatisation of public enterprises and the reduction of direct government involvement in the economy. Most of these, however, have not been easy to implement as they required major changes in government policies, philosophies and practices. Some of the resistance to these reforms by some politicans and other pressure groups can be attributed to the fact that these necessary changes in governments and people were sometimes not coming quickly enough.

As observed by the 1993 UNDP Report lack of dramatic improvement in the living standards of the people soon after the introduction of structural adjustment programmes was one of the reasons why the implementation of the reform programme was rather sluggish: "In many countries, these reforms have yet to bear fruit in terms of human development. True, it is difficult to say whether their performance would have been worse without the reforms, but the fact that three quarters of adjusting countries in sub-saharan Africa have suffered declining per capita incomes, and in Latin America the declines were at least as bad, it will be some years before any real balance sheet can be drawn up for the human development effects of liberalization and adjustment in development countries". (UNDP, 1993: 45).

Fiscal adjustment led to considerable reduction of government expenditures, removal of government subsidies, increased taxation, etc in large number of African countries. These and related measures adversely affected the governments' ability to provide various social services, which in some countries like Zambia, Algeria and Sudan led to political tension and riots.

Experience from some of the countries was that implementation of economic reforms, more often than not, gave rise to short-term negative impact on different groups. For instance, rising prices of essential commodities adversely affected consumers in some of the implementing countries. Public expenditure cut especially in education and health reduced availability of basic needs for the poor. The emergence of free markets in many of the once highly regulated sectors tended to create considerable pressure on the low income groups many of whom live in the rural areas. This was especially evident with regard to the introduction of user charges in hospitals, reduction or removal of subsidies, in the provision of various goods and services, partial cost recovery in water supply, and adjustment of interest rates on credit provided by public sector institutions.

Decontrol of consumer prices followed by spontaneous upward movement of the price levels reduced the purchasing power of large proportions of the population, with the impact more pronounced among low income workers. Removal of price controls and subsidies had adverse effects on access to food especially for the rural landless poor and urban poor, undermining their nutritional status, (Ochoro W.E. and Omoro, F.Z., 1989: 34). People who had been used to free or highly subsidized goods and services resented and sometimes vigorously resisted the changes.

A requirement in structural adjustment programmes for most of African countries was that they rationalise and reduce government expenditure. Although this requirement made sense in view of the countries' large budgetary deficits as a result of expenditures growing much more rapidly than the government's ability to raise revenue, it was difficult to implement these expenditure cuts without exacerbating human misery and related social and political problems.

Some governments and NGOs strongly resisted drastic reduction of public expenditures. One of their arguments was that some of the main beneficiaries of the services provided by the governments are the poor, the aged, the unemployed and landless who usually have no means of acquiring such services through the market mechanism. It was argued that in the early stage of development, the government must be responsible for laying both the social and economic infrastructure which would in the long-run facilitate efficient operation of market forces. Curtailment of government's ability to finance infrastructure and participate in economic activities would be counterproductive and derail or at least slow the development process.

Many Africans have had to introduce cost sharing programmes with the objective of making beneficiaries of public services to pay part of the cost. Although this move is perhaps inevitable, there has been the difficult question of its effect on the poor groups who may not be able to pay their share of the cost. There have been fears that some of the economic reforms could aggravate inequality among various socio-economic groups, which was already a major area of concern in the Sub-Saharan region. Cost-sharing in areas such as education and health was likely to make it difficult for the poor to improve their standard of living and thus widen the gap between the poor and the rich.

Although there has been a tendency to associate economic reforms with adverse effects on the poor, this is not always the case. There is therefore need for a more balanced analysis of the impact of structural adjustment on the poor, taking into account both positive and negative effects. If one considers poor households as a unit, negative effects may include increased expenditures on health services and school fees due to cost sharing; loss of income earning in the household because of retrenchment.

On the other hand, positive effects associated with reforms include better availability of cheap second-hand clothing resulting from liberalisation of imports; stable prices on consumer goods due to inflation control and lower prices on certain food items, e.g. maize meal due to deregulation of markets, among others. Making quantitative calculation in this manner at the household level helps to establish who are winners and losers from the multiple elements contained in the structural adjustment package. Without this no authoritative judgement can be made about the overall impact of structural adjustment reforms on the poor.

Secondary, it is essential to differentiate between short-term and long-term effects. There has been a tendency to concentrate on the negative short term effects and ignore potential long term positive impact on the economy as a while as well as on various socio-economic groups including the low income groups.

Thirdly, a careful distinction should always be made between what will accompany structural adjustment by necessity in the short-term by way of hardships, and those effects which arise from poor design and imperfect implementation of the reforms. For instance, if the government fails to curb interference in trade liberalisation by powerful and politically well connected interest groups, the effects should not be blamed on the policy of liberalisation per se. Corruption and inefficiency may have considerable influence on implementation, but should not be construed to be part and parcel of the structural adjustment programme. For instance, the collapse of a number of garment manufacturing firms in Kenya during 1994–95 was largely a consequence of importation of finished garments by politically connected people, without paying import duty, rather than liberalisation per se.

One of the factors which reduced the effectiveness of trade liberalization in these countries was lack of necessary support from macro-economic policies. Some of the countries tried to carry out trade liberalization without effectively implementing other necessary macro-economic policy measures such as monetary policy reforms.

Trade liberalization also made it difficult to reduce budgetary deficits for some of the countries because of lower revenue from import tariffs, one of the main sources of revenue for many African economies. Some of these negative effects were, however, mainly short term in nature and could be removed in the long-run when the positive effects of liberalization process are more entrenched.

In order to increase the production of exports, it was necessary for governments to ensure credit availability. This was also not easy for many developing countries due to a number of factors including the underdevelopment of money and capital markets and the often intense competition between the government and the private sector for the limited available credit resources. Heavy government reliance on borrowing from the domestic banking system had been depriving private sector entrepreneurs of credit facilities.

It has also been observed that if governments' commitment to trade liberalization policy was not strong, it discouraged entrepreneurs from reallocation of resources to export production. In some countries, the government authorities preferred a slow and gradual approach to liberalisation which created doubts about the government's intentions strengthening resistance from forces opposed to economic liberalisation (Deepak Lal, 1987: p. 275–276). This overall effect of this was to discourage reallocation of resources to the targeted export sectors.

Attempts to liberalize trade in sub-saharan Africa has in many cases met strong opposition from local manufacturers who argued that removing protection on local industries would make it difficult for a large proportion of these industries to survive. The excess capacity existing in many sectors of the Kenyan industry, for instance, is often attributed to liberalization of imports. It is, however, important to note that while some African businessmen were opposed to trade liberalization and other reform measures, there were others who strongly supported the reforms, arguing that controls in the economy had a stifling effect on the economy (Ikiara G.K., 1994).

IV. 2 Opportunities

Inspite of the obstacles faced by Sub-Saharan African countries in their effort to transform their economies to market economies, there are clear indications of the potential and opportunities that are possible from more liberalized and restructured economic systems in the African region. A 1994 World Bank report on seven case studies, shows that countries which had vigorously implemented economic reform programmes experienced considerable improvements in their economic performance, although there was a wide variation from one country to the other.

Some of the achievements included positive changes in the countries' overall policy environment in most of these countries which had embarked on the reform programmes, with the most impressive success being recorded in macro-economic and agricultural reforms. This was especially so for those countries which did not maintain fixed exchange rates. Liberalisation of domestic markets had also been fairly successful although not in all the countries.

Areas in which economic reforms were less successful were privatization of parastatal enterprises and liberalisation of the financial markets due to strong resistance to change exhibited in those activities. The World Bank, however, concluded from the seven country case studies that "The reform programs work: In countries and policy areas where policy performance has been reasonably good, the outcomes have been reasonably good; conversely, poor policy reform progress has been reflected in poor performance, (World Bank, 1994; 1). Some of the reforms undertaken so far have been welcomed by the business community especially in terms of improving the environment in which they operate. The reforms which have been particularly welcomed by the business communities in Africa include removal of exchange controls, trade licensing, deregulation of both product and factor prices and privatization of some parastatals or restructuring some of the activities of these enterprises. The business community, in countries like Kenya, have been agitating for removal of the above regulations since 1970s because of the negative effects they had on the overall business environment, (Ikiara, G.K, 1994).

Among the complaints against these state controls were that they encouraged excessive bureaucracy, corruption, delays, favouritism and inability to have a level-paying field for fair business competition based on quality and pricing of products. Thus, although these problems still exist in many countries, there have been noticeable improvements in those economic aspects which have been effectively liberalized. The removal of price controls, licensing and foreign exchange controls has reduced some of the areas red-type that businessmen had to through.

As mentioned in an earlier part of this paper, structural adjustments programmes have in some cases had positive impact on the low income groups, contrary to the commonly held view that SAPs hurt the vulnerable groups. One of the benefits from import liberalisation for the poor in some African countries is improved access to cheaper goods as a result of increased competition between domestic and imported products. For instance, following liberalisation of grain marketing in Kenya in 1994, the consumer price of maize, staple food item for the majority of Kenyans; fell by about two-thirds from Kshs. 1500 to Kshs. 500 per 90-kg bag. This was major relief for the low income people in the country. Removal of restrictions on imports and reduction of tariffs on imported textile products also led to an inflow of cheap clothing into the country, enabling a large proportion of the poor to afford more decent clothing. However, while some of these benefits of liberalization are significant, the trade offs must be taken into consideration to enable a country to compute costs and benefits in order to make the appropriate decisions.

IV. 3 Selected Country Experiences with Reforms

IV. 3. 1 Ghana

Ghana is rated as one of the leading countries in Sub-Saharan Africa in terms of its implementation of sweeping economic reforms. The country adopted an Economic

Recovery Programme in 1983 which involved decontrol of consumer prices, liberalization of external trade, devaluation of the domestic currency financial market reforms, tax reforms and elimination of subsidies.

The results of these reforms show that by early 1990s, there were positive, though not very dramatic signs of economic growth. After decades of stagnation, the real GDP growth rate rose to about 5% per annum for the period 1984–91 (UNDP, 1993). By 1990, investment had risen to 15% of Gross Domestic Product by 1990; the private sector had started to respond to the reform program with private investment rising from 4% in 1984 to 8% of GDP. By 1991, private sector investment constituted 50% of total investments in the country.

But as UNDP report notes about the Ghanian economic recovery "... considering the decline of the economy in 1970s and early 1980s and the growth of the population, the recovery is only modest and has not yet been translated into improved living conditions for the majority of the people", (UNDP, 1993: 58).

While being critical of SAPs Jalloh, in his study of the reform programme in sub-Saharan Africa, concludes that in the Ghanian case, the successes of the reform policy in reversing the economic decline were more than the adverse effects (Jalloh, S.B, 1993: 44).

IV. 3. 2 Gambia

The Gambian economy experienced sharp deterioration in its economic performance in the late 1970s and early 1980s, especially after the oil shocks of 1973 and 1979. The country's poor economic performance was reflected in the sharp fall in its per capita income and deterioration in its balance of payment deficits, budgetary deficits and foreign debt arrears.

The country was forced to request stabilization and structural adjustment loans from the World Bank and the IMF, who demanded that economic reforms be undertaken before the loans could be granted. These demands prompted the country to launch one of the most sweeping and comprehensive economic reforms in Africa in mid-1985 under the Economic Recovery Programme (ERP) and, later in 1990, under the Programme for Sustained Development (PSD).

Although the ERP programme focused more on fiscal reforms, it also incorporated public-sector, trade and financial reforms and included a wide range of policy measures. Fiscal reform measures of the ERP implemented between 1995 and 1988 included abolition of export taxes; rationalization of import tariffs; abolition of import tax and rationalization or abolition of some other miscellaneous domestic taxes and duties; introduction of sales tax; a 20% reduction of public sector employment and freezing of public sector wages; reduction of total public expenditures; improvement in budget accounting system and simplification of income tax schedules.

The public sector reforms implemented during this period were privatization, introduction of parastatal 'performance contracts' to enhance efficiency and major administrative reforms of government ministries. The trade and financial reforms included devaluation of the domestic currency, liberalization of foreign exchange market, decontrol of domestic interest rates, establishment of targets for money supply control, and tax reforms.

The PSD Programme implemented between 1990 and 1992 aimed at entrenching the measures implemented in 1985. Thus, fiscal reforms of 1990 were aimed at increasing public infrastructure, preparation of public expenditure programmes in areas such as education and health, computerization of customs and income tax administration, reduction of company taxation from 75% to 50% of profits and indexation of income tax brackets, widening and strangthening income and sales tax bases, improving tax collection and compliance and introducing discretionary abolition duty waivers.

Under the PSD public sector reforms, measures taken were: further privatisation of public enterprises, introduction of user charges in education and health, extension of performance contracts' improvement of public-sector management liberalization of the market and removal of the monopoly that the Ghanaian Profuce and Marketing Board (GPMB) had hitherto enjoyed in the distribution and marketing of some of the agricultural produce in the country.

Trade and financial reforms carried out during this period were abolition of government guarantees for private sector borrowers, privatization of foreign exchange bureaux and abolition of credit ceilings in the country (Basu, P and Gemmel, N., 1993: 4).

Like in many other reform programmes in Africa, the emphasis of the Gambian ERP was on increasing efficiency and reducing fiscal deficits, with low attention given to equity issues. ERP contained virtually no measures aimed specifically at distributional or poverty issues reflecting the fact that the Government and lending institutions in the early 1980s were mainly preoccupied with efforts to reduce inefficiencies in the economy, (Basu, P. and Gemmel, N., 1993: 7). This weakness was, rectified to some extent in the early 1990s under PSD when distributional issues were given greater attention.

The Impact on the Gambian Economy

In terms of the growth of GDP, the impact of the reform programme was to some extent ambiguous. While the average annual growth rates of GDP in the first two to three years of the post-reform period was higher than that of the first three years before the reforms, the average annual growth rates of GDP in the fourth year of the pre-reform period were higher than that in the fourth year of the post-reform period. Thus, the average annual GDP growth rate recorded in the period, 1980–85 before reforms was 4.0% while the corresponding figure for the period 1985–90 was 3.6% (Table 1). It should, however, be noted that full assessment of the contribution of the reform programme was rather difficult because of lack of counterfactual data for the post-reform period, when a longer time frame is taken into consideration. It was, therefore, unclear whether GDP growth rates would have been higher or lower if the country had not implemented the reform programme.

Basu, P and Gemmel, N. in their study (1993) of the impact of reform programme in Gambia found that many objectives of the reforms were achieved. These included significant reduction of Government budget deficit; increase in tax revenue in both absolute terms and as a proportion to GDP; rationalization of tax system in terms of elimination of export taxes, import duties and excise taxes, and reduction of the number of tariff bands undertaken in the period 1985–88; rationalization of indirect taxes, with the introduction of sales tax; widening of the country's tax base; significant reduction of current account deficits and debt arrears.

Other achievements of the reforms included improvement in the efficiency of the public sector, growth of the services sector especially tourism which benefitted from the depreciation of the local currency in 1986.

Perhaps because of the extent to which the Gambian Government was involved in the design of the reform programme, the liberalization of the economy was implemented voluntarily and experienced little open political resistance or social unrest contrary to the experience of a large number of other African countries. One of the possible explanations for the absence of political resistance to implementation of the reform programme was that there were no major subsidies to the poor groups in Gambia before the introduction of the reforms. "Thus whereas in several other reforming countries, the removal of such subsidies has been an important part of reform-

Table 1 Gambian GDP Growth Rates Before and After the Economic Recovery Programme (ERP)

Pre-EP Period	GDP growth (%)	Post-ERP Period	Post-ERP GDP growth (%)	No. of Years
1984–85	1.6	1985–86	4.1	1
1983–85	3.3	1985–87	3.5	2
1982–85	2.7	1985–88	2.9	3
1981–85	6.7	1985–89	3.2	4
1980–85	4.0	1985–90	3.6	5
		1985–91	3.4	6
		1985–92	3.5	7

Source: Basu, P. and Gemmel, N. 1993–28.

ing fiscal deficits, such socially painful measures were largely avoided in Gambia" (Basu, P and Gemmel, N. 1993: 30). The fact that the Government took measures to reduce the negative effects of reforms by increasing the producer prices and to relocate the workers retrenched from the public sector was another factor which further explains lack of strong opposition to the programme in Gambia.

IV. 3. 3 Kenya

In the last five years Kenya has moved from a highly state - controlled economy characterized by price controls, marketing restrictions, quantitative restriction, and high government participation in the economy, to a relatively free market economy. Much of this has been effected through economic liberalization measures implemented within the Structural Adjustment Programme (SAPs).

Before 1985, the government regulated virtually all facets of the financial, factor, goods and services markets, with more than 70 percent of all prices in the goods market under government control. The mechanism of determining price levels and keeping surveillance over illegal changes was complex and often beyond the ability of the available government resources. Interest rates and exchange rates were controlled by the government through the Central Bank with market forces playing an insignificant role.

The government participated directly in many economic activities ranging from farming, manufacturing, banking, services, to commercial business and services usually through parastatal enterprises. Over 50 percent of the country's investment was undertaken by the government either directly or through parastatals enterprises.

But by the beginning of 1995, the situation had radically changed, the government having removed restrictions on marketing of agricultural commodities, and determination of interest rates and foreign exchange rates. Considerable efforts had been made to establish the necessary policy measures for controlling budget deficit through expenditure reductions, modernization of revenue collection, restructuring of the civil service and divesting from regular commercial activities. As part of the budget rationalization, the government introduced user charges in virtually all its services. The general trend has been to move towards charging market prices for goods and services which continue to be provided by public enterprises or institutions. Thus, Kenya, like many other African countries, has been in the process of breaking off from three decades of government-controlled economy to a market-oriented economy.

Since 1980 the country has been moving, though reluctantly and intermittently, towards a more market-oriented economy, away from the policies pursued in the previous two decades of post-independence period which sought to enhance the role of the public sector. This change in policy has been, however, more seriously implemented in the 1990s then in 1980s when the spirit and pace of implementation of the economic reforms were low.

Kenya was among the first group of Sub-Saharan African countries which adopted Structural Adjustment Programme (SAP) in 1980. This was a turning point for the country, marking a clear break with the economic policies which had been pursued since 1963. At the end of 70 years of British Colonial role in 1963, the newly independent country pursued economic policies aimed at rapidly raising the role of government in the economy. A mixed economy in which both the public and private sectors played an important role in the development process was embraced as the most appropriate strategy to tackle the prevailing economic problems especially the control of the economy by non-indigenous investors, poverty, unemployment and various income groups of people (Republic of Kenya, 1965).

However, by mid 1970s this interventionist approach to development characterized by price controls, state monopolies, exchange rate restrictions, subsidies, direct state participation in various economic sectors had proved a considerable disappointment. The cumbersome task of policing producers and middlemen to ensure that controls were maintained became increasingly difficult as premiums in the market place increased, encouraging the growth of parallel markets and corruption in the country's body politic. From the 1980s the government embarked on selective removal of price controls, beginning with non-essential consumer and producer commodities.

By the beginning of 1990s the implementation of economic reforms agreed with IMF and World Bank was still poor as the government was still reluctant to implement some of the measures. Between 1990 and 1991, progress in the implementation of reform measures was slow and inadequate in many fronts including public sector reform, fiscal discipline, privatization and financial stability. The performance of the economy had also deteriorated in many aspects. In addition to rising levels of corruption, poor governance, slow process of democratization were also emerging as issues of concern not only for the donors and foreign ministries but also many Kenyans. This culminated in suspension of aid to the country by donors in November 1991. The suspension, together with growing discontent of the donors and the populace, compelled the government to re-negotiate for a new structural adjustment program. During the period between November 1992 and end of 1994, radical reform measures were undertaken as the government tried to improve its relationship with the donor community to facilitate resumption of foreign assistance.

Thus, Kenya's economic reform process can be categorized in three fairly distinct phases: (i) 1980–84; (ii) 1985–91 (iii) 1992–95. In the first two phases, implementation of the reforms was slow and uncoordinated, with limited willingness and commitment from top political leadership. Review of the government record in implementation of the agree reforms such as liberalization of import trade, domestic trade, marketing, removal of price control, reduction of government deficit parastatal, and others, shows that the government did not seriously 'own' the reforms which were to be implemented. As a recent World Bank publication observes: "first adjustment attempt (1980–84) was marked by a total lack of compliance, partly because of design and timing problems, but also because the commitment to the stated policy changes was limited to a coterie of top civil servants...Even in the second period... (1985–91), when much more effort went into building a broader consensus, the pace was incremental, and the commitment of top officials waxed and waned" (World Bank, 1994).

While a small number of top civil service technocrats agreed with the World Bank and the IMF officials about the need for certain reforms, the political leadership was largely opposed to reforms. Largely as a result of pressure from the donors the country has not only virtually liberalised all aspects of the economy including removal of all price controls, exchange rate controls, liberalised both external and domestic trade, embarked on serious privatisation and restructuring of parastatals and public service reforms involving retrenchment of about 90,000 civil servants, but also undertook substantial political reforms including introduction of a multiparty political system after about 26 years of single-party rule.

IV. 3. 4 Tanzania

By late 1970s, Tanzania had emerged as one of the most well known socialist countries in Sub-Saharan Africa following the 1967 Arusha Declaration which led to wholesale nationalization of large and medium - sized enterprises in all the key sectors of the economy and collectivization of small scale peasant farms. By the mid 1970s, The Tanzanian economy was heavily dominated by the government, with private sector enterprises seriously stifled. After a short period, 1967–73, in which the governments actions seemed to be having positive impact in terms of impressive GDP growth rates of about 5 per cent per annum, an increase in the flow of external donor resources, a rise in the grow investment above 20 percent of the GDP, the economy's weaknesses came to the fore in early 1980s. These weaknesses were reflected in falling productivity of public enterprises which affected the key sectors, declining savings and export competitiveness and serious deterioration in private sector confidence. These problems were compounded by the onset of the oil crises of 1970s, adverse effects from a devastating drought, collapse of the East African Community in 1977 and the war with Uganda (World Bank, 1994: 352)

These factors caused a major decline in the economy which started in the second half of 1970s and intensified in the early 1980s. For instance the GDP annual growth rate declined continuously for the period 1981–83, with the industrial sector experiencing very hard times. The country's industrial output was falling by about 15% per annum and the sector's average capacity utilization declined to only 25% of the installed capacity. This decline in the economic fortunes was also reflected in the deterioration in various macro-indicators, such as balance of payments budgetary deficits and rising inflation.

After half-hearted efforts to liberalize the economy failed to arrest the rapidly deepening economic crises of early 1980s, serious reform measures were first undertaken in 1986. The reform measures implemented then included liberalization of exchange rate, improvement of agriculture producer prices especially for the country's main export commodities, trade liberalization and export promotion.

While the Tanzanian economy cannot be said to have come out of the economic crisis completely, it has made substantial recovery. Evaluation of the impact of the adjustment programme in Tanzania shows that the country's economic performance has turned round dramatically as a result of the programme. This improvement was reflected in restoration of economic growth, a rise in the levels of both exports and investments and reduction of the budgetary deficit and rate of inflation. (World Bank, 1994: 355–6). Other indicators show that economic performance during the first five years of the reform period was much better than the previous five years before the introduction of the reforms. In many cases, the performance of the economy during the reform period was also better than the period 1970–80 before the onset of the crisis period, 1981–85 (Table 2).

V Concluding Remarks

Although the nature, speed and impact of economic liberalisation on sub-Saharan African continue to attract debate, there is considerable consensus that the region's economies need some restructuring if they are to cope with current and future socio-economic challenges. Economic problems that have afflicted African countries since 1970s have been increasingly attributed to inappropriate economic structures and inspite of opposition to reforms from a number of groups and reluctance in implementation by some governments, there is no doubt that the last fifteen years have witnessed significant transformation of Africa's economies from heavy state regulations market economies.

However, while the structural adjustment programme requirements are generally desirable and useful, the pace of reform implementation is one area that requires more careful consideration. In addition it is important to recognize that given the rather special responsibilities that the public sector has held in many African countries, the reduction of government participation in their economies can-

Table 2 Selected indicator of economic recovery program achievements.

Indiator	Pre-crisis period 1970–80	Crisis year 1981–85	Economic recovery period 1986–91
Average annual GDP growth in real terms	4.6	0.1	4.0
Average annual export growth in real terms	0.1	−10.4	5.6
Investment as a percent of GDP	20.1	14.3	31.6
Average annual inflation rate	14.0	31.0	25.7
Fiscal deficit as percent of GDP	12.1	9.4	7.0
Primary fiscal deficit as a percent of GDP	〃	8.6	3.9
Agricultural producer prices as a percentage of international prices	64.5	72.5	59.0
Average annual appreciation of the real exchange rate	0.2	16.1	−24.3
Central government deficit as a percent of GDP	12.1	9.4	7.0
Current account deficit as a percent of GDP	10.1	5.8	8.5
Gross domestic investment as a percent of GDP	20.1	14.3	31.6
Gross domestic savings as a percentage of GDP Official	〃	10.4	1.0
Including unofficial exports	〃	10.7	13.3

Source: World Bank,. 1994 P. 356

not be carried out overnight without serious human, economic and political repercussions. A more realistically scheduled reform programme taking into account each country's special circumstances and implementation capacity would help to ameliorate short-term social, economic and political adverse effects and make the transition to a market-based economy relatively easier.

Africa's experience shows that while donor assistance and resources are important in the economic recovery programme of African countries, mobilisation of domestic resources is more important especially in the medium and long-term perspectives. The reform process must seek ways and means of stimulating and enhancing active participation of domestic actors in the economy.

The observed opposition to economic reform programmes in Sub-Saharan Africa, is not always a reflection of unwillingness to adopt reforms per se. This attitude is often based on some of the weaknesses in both the design and implementation of structural adjustment programmes. For instance, the fact that most of the programmes have been externally initiated and supported has often given the impression that these programmes undermine a country's independence in economic decision-making. This impression has tended to be reinforced by the often coercive nature of the implementation of the programmes by donor organisations in some countries in their efforts to ensure that performance criteria are achieved before financial assistance is availed to the adjusting countries.

The initial reform programmes in many countries did not give sufficient attention to the impact on human and social conditions, especially the issue of access to essential services such as education, health, nutrition and housing to the low income and other disadvantaged groups. This has however, changed in recent years, especially following strong criticism from bodies such as UNICEF (Cornia, G.A., Jolly, R. and Stewart, F. 1988).

Other factors that have tended to reduce enthusiasm for structural adjustment programmes in Africa were the widespread apprehensions about the adverse impact of the reform policies, especially trade liberalisation, on Africa's industrialization process and the criticisms that the structural adjustment was too much focused on short-term fiscal and monetary stablization issues, while neglecting domestic and infrastructural issues that have emerged as major bottlenecks in the development process of Sub-Saharan Africa.

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