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Introduction

Senegal received its first structural adjustment loan from the World Bank in 1979, the first such loan extended to Africa.[1] The economy appeared overheated, with a burgeoning balance of payments crisis and a fiscal deficit exceeding 12.5 percent of gross domestic product (GDP). Agricultural production was stagnant and had been weakened by recurrent drought. The country's small industrial sector seemed incapable of competing with imports, barely surviving thanks to protection and subsidies. Overall, Senegal's GDP had grown by 2.1 percent annually between 1960 and 1980, even though its population was growing 2.8 percent a year over the same period. A year later, the government signed a three-year enhanced structured adjustment facility (ESAF) loan with the International Monetary Fund (IMF). At the time, the *IMF Survey* blamed the crisis largely on drought and announced confidently that the loan would quickly restore macroeconomic balance.[2]

Since then, the country has been undergoing "adjustment."[3] The country's international debt burden in 1980 totaled $1.47 billion,

1. Throughout I use Africa and sub-Saharan Africa interchangeably to refer to the forty-eight countries below the Sahara Desert, including the Republic of South Africa and Eritrea.
2. *IMF Survey*, April 9, 1979, p. 111.
3. Senegal's two decades of adjustment have been well documented. See Gilles Duruflé, *l'Ajustement structurel en Afrique* (Paris: Karthala, 1988); Gilles Duruflé, *Le Sénégal peut-il sortir de la crise?* (Paris: Karthala, 1994); Mustapha Rouis, "Senegal: Stabilization, Partial Adjustment and Stagnation," in Ishrat Husain and Rashid Faruqee (eds.), *Adjustment in Africa: Lessons from Country Case Studies* (Washington, DC: World Bank, 1994), pp. 286–351; and Samba Ka and Nicolas van de Walle, "The Political Economy of Structural Adjustment in Senegal, 1980–1991," in Stephan Haggard and Steven B. Webb (eds.), *Voting for Reform: Economic Adjustment in New Democracies* (New York: Oxford University Press, 1994), pp. 290–359.

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representing a dangerous but still manageable 49 percent of GDP, but the government did not hesitate to borrow from the international financial institutions (IFIs) and France to face the crisis. In the 1980s, it received fifteen different stabilization and adjustment loans from the Bank and Fund, several of which were canceled for noncompliance with conditions.[4] In addition, it would receive some $350 million a year in bilateral assistance, and 2 billion French francs' worth of debt forgiveness by the French government in 1989. Yet, after the June 1991 Paris Club meetings that rescheduled its debts for the eighth time since 1981, Senegal's total international debt stood at some $3.5 billion, equivalent to 63 percent of its GDP and 225 percent of its exports that year.

Adjustment programs continued in the 1990s. The Fund provided ESAF and stand-by loans in 1994. The Bank followed with agricultural sector and private sector adjustment loans in 1995 and a transport sector loan in 1997. France extended further debt forgiveness in 1994, following the devaluation of the Communauté Financière d'Afrique (CFA) franc in January. Overall, the country received an average of $473 million a year in aid between 1990 and 1995, some 14 percent of GDP.

Actual progress on economic policy reform has been desultory throughout these two decades of official adjustment. On the economic stabilization front, progress in the mid-1980s was followed by slow reversal and then a disastrous spell in 1991–3, which resulted in fiscal deficits creeping back to 6 percent of GDP by 1994. Structural reform also proved problematic. Long stalled, privatization lurched forward in the 1990s with 55 of 188 parastatal enterprises being privatized.[5] On the other hand, the substantial trade reform achieved between 1986 and 1988 was largely reversed by the government in the 1990s. Civil service employment actually increased between 1990 and 1995, despite the government's repeated commitment to a civil service reform program that was to require substantial retrenchment.[6]

4. Including from the IMF six stand-by arrangements, one structural adjustment facility, one enhanced structural adjustment facility, and one extended fund facility; and from the Bank, four structural adjustment loans and two sectoral adjustment loans.
5. See Table 1 in Paul Bennell, "Privatization in Sub-Saharan Africa: Progress and Prospects during the 1990s," *World Development* 25 (1997): 1785–803.
6. From 65,600 to 67,000 civil servants, according to the IMF. See Ian Lienert and Jitendra Modi, "A Decade of Civil Service Reform in Sub-Saharan Africa," IMF Working Paper WP/97/179 (Washington, DC: International Monetary Fund, Fiscal Affairs Department, December 1997), p. 43.

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In the late 1990s, the situation in Senegal appeared more promising. The long overdue devaluation of the CFA franc in January 1994 reinvigorated the economy, with GDP growth rates of 4.8 and 5.1 percent in 1995 and 1996, respectively. The fiscal deficit was down to 1.9 percent in 1996. Once again today, the IMF is arguing that Senegal has finally overcome its economic crisis and is poised for a breakthrough. In 1996 it predicted that Senegal would sustain growth rates of 4.5 percent for the next five years, more than double its growth rates over the last forty years.[7] Perhaps, but many less sanguine observers suggest that most of the obstacles to economic development in Senegal remain; they argue that policy reform programs have not altered the deep-seated problems that undermine investment and growth, from the state's limited capacity and endemic corruption, to the grave deterioration of public infrastructure.[8] Moreover, two decades of policy reform efforts have saddled Senegal with an increasingly onerous debt burden. Various debt forgiveness schemes and biannual rescheduling exercises have not prevented the overall debt burden from reaching 79 percent of GDP in 1995. Meanwhile, the quality of life of the average Senegalese has probably declined over the last twenty years. Her expectation of life has improved, from a woeful 40.6 years in 1970 to a still dismal 52.3 years, just slightly above the African average, but a quarter of a century less than she would live if she had been born in a country that was part of the Organization for Economic Cooperation and Development (OECD).[9] The World Bank estimates that more than half the population lives on less than one dollar a day.[10]

Is Senegal a typical African case? At the dawn of the twenty-first century, most of sub-Saharan Africa remains mired in economic crisis despite two decades of donor-sponsored reform efforts. A handful of countries like Botswana and Mauritius are prospering, but most economies in the region still have not overcome the fiscal and balance of payments deficits that have undermined economic stability since the first oil crisis in the mid-1970s. The severity of these deficits has waxed and waned over the years, but they have never been overcome.

7. *IMF Survey*, January 8, 1996, p. 14.
8. For instance, the blunt assessment in Elliot Berg et al., "Sustaining Private Sector Development in Senegal: Strategic Considerations," (Bethesda, MD: DAI, June 1997).
9. United Nations Development Program, *The Human Development Report, 1999* (New York: Oxford University Press, 1999), Table 8, p. 171.
10. World Bank, *World Development Indicators* (Washington, DC: World Bank, 1998), p. 66.

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Meanwhile, many if not most Africans are poorer today than they were twenty years ago.

An improvement in economic indicators throughout Africa in the mid-1990s led some observers to argue that the region had finally solved its economic conundrums and could now expect sustained economic growth.[11] Conditions appeared to be favorable: several civil wars had ended and a wave of democratization had brought to power a number of new leaders who appeared resolved to address economic ills. Between 1994 and 1997, per capita growth averaged 1.2 percent a year, the fastest rate in a generation. Growth was also spread across an unusually large number of states, with all but four economies in the region recording positive growth rates in 1996. International investors were said to be taking another look at the region. When President Clinton visited the region in the spring of 1998, he spoke of the beginning of an "African renaissance," in which Africa, thanks to economic and political reform, would now enjoy sustained economic growth and political stability.[12] Inevitably, talk of a renaissance faded soon after Clinton's trip. A sharp slowdown of the world economy followed the East Asian financial crisis that began in July 1997, and a number of African countries suffered sharp terms-of-trade shocks in the following year.[13] Deadly civil wars were reactivated in the Horn of Africa or in Angola, while new conflicts emerged in Central Africa. Investors closed their wallets, and by 1998, growth appeared to be slowing down again, although some countries continued to enjoy economic expansion (including Senegal). While the IMF remained relatively optimistic, forecasting 1.3 percent GDP per capita growth for the region in 1998, the World Bank was more gloomy, predicting –0.5 percent growth in 1998 and only 0.4 percent in 1999.

The growth spurt may turn out to be a harbinger of things to come, but there have been several previous short bursts of growth in the past

11. See, for instance, the optimistic assessment of the IMF in Stanley Fischer et al., *Africa: Is This the Turning Point?* IMF Papers on Policy Analysis and Assessment (Washington, DC: International Monetary Fund, May 1998); for an optimistic Washington perspective, see David Gordon and Howard Wolpe, "The Other Africa: An End to Afro-Pessimism," *World Policy Journal* 15 (1998): 49–59; and the more measured assessment by Deborah Bräutigam in her essay, "Economic Takeoff in Africa," *Current History*, 97 (1998): 204–8.
12. "Clinton's Dream for Africa: Many Snags to Overcome," *New York Times*, April 3, 1998, p. 8.
13. Elliott Harris, "Impact of the Asian Crisis on Sub-Saharan Africa," *Finance and Development* 36 (1999): 14–17.

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that then only sputtered out. The bottom line at the beginning of the twenty-first century is that the African region continues to be outperformed by all other regions, and that efforts to redress this poor performance during the last twenty years have not been successful. Other regions of the developing world have demonstrated a much greater ability to manage their economic affairs over the course of the last twenty years, ever since the various shocks to the world economy in the early 1970s ended the Bretton Woods system of fixed exchange rates and introduced a new volatility in the world economy. As demonstrated in Table A.1, African growth has continued to lag behind other regions of the developing world in the 1990s, with the exception of the Middle East and North Africa category of countries, which are highly dependent on oil resources and suffered from their declining value during this period. Africa's relative performance is even more preoccupying if population growth is taken into account, as Africa's population growth is the fastest in the world. The data suggest that African countries have to exceed East Asian growth rates by a full percentage point just to keep up with them in per capita terms.

Africa's poor economic performance has resulted in its progressive marginalization from the world economy. As shown in Table A.2, Africa's share of global economic activity is small and declining; though

Table A.1. *Annual Rates of GDP Growth by Region, 1980–1999*

Region	1980–90	1990–96	1997	1998	1999*	Annual Population Growth 1965–96
Sub-Saharan Africa	1.7	2.0	3.5	2.4	3.2	2.7
East Asia	7.7	10.2	7.1	1.3	4.8	1.8
South Asia	5.7	5.6	5.0	4.6	4.9	2.2
Latin America and the Caribbean	1.8	3.2	5.1	2.5	0.6	2.1
Middle East and North Africa	0.4	2.6	3.1	2.0	2.8	2.7
All Low, Middle Income	3.1	2.9	4.8	2.0	2.7	1.9

* Provisional estimates.

Source: Adapted from World Bank, *World Development Indicators, 1998* (Washington, DC: World Bank, 1998), Table 4.1 and Table 1.4; and World Bank *Global Economic Prospects and the Developing Countries, 1998/99* (Washington, DC: World Bank, 1998), p. 28.

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Table A.2. *Africa's Share of Global Economic Activity, 1980–1996 (as a percentage of world total)*

	1980	1996
Population	8.6	10.3
GDP	2.5	1.1
Value added, Manufacturing	1.4	0.9
Merchandise Exports	3.8	1.3
Foreign Direct Investment	0.3	0.6

Source: Calculated from World Bank, *World Development Indicators, 1998* (Washington, DC: World Bank, 1998), Tables 4.2, 4.3, 4.4, and 6.8. Additional data from the World Bank, *African Development Indicators* (Washington, DC: World Bank, 1997), Table 5.1.

it accounts for 10 percent of the world's population, its economies account for 1.1 percnet of world GDP. On the other hand, the region includes fifteen of the world's twenty poorest countries. Africa's continuing problems have resulted in a sharp increase in international debt, which rose from $84 billion in 1980 to $227 billion in 1996. Even in the so-called success story of Ghana, total external debt increased from $1.4 to $4.2 billion in this period, and the country remains poorer today in per capita terms than it was in the mid-1970s, after more than a decade of reform implementation and sustained growth.

This book explains the failure of African economies to renew with sustained economic growth over the last twenty years. Why has Africa lagged behind every other region of the developing world? Why have the donor-supported structural adjustment programs not succeeded in improving growth rates and poverty alleviation? What has been the political impact of such a long economic crisis? This book tries to answer these questions by offering a political explanation for the persistence of Africa's economic crisis and the failure of reform to bring about renewed growth. I seek to shed light on some of the distinct institutional features of the crisis, by analyzing the political implications of its seeming permanence on the African landscape for so long.

THE STRUCTURAL ADJUSTMENT DEBATE

The persistence of Africa's economic crisis is puzzling given the international efforts to promote economic renewal in the region. For the last

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decade, almost all African states have been engaged in some kind of economic reform program with funding from the West. With the assistance of the international financial institutions (IFIs), in particular the World Bank and the IMF, they have attempted to implement stabilization and structural adjustment programs that seek, respectively, to return to macroeconomic equilibrium in the short term and promote more rapid sustainable economic growth in the long term. The donors have encouraged African states to undertake these reforms with substantial financial support. Between 1980 and 1989, for example, some thirty-six sub-Saharan African countries contracted for 241 different loans with the Bank and the Fund on behalf of stabilization and adjustment operations.[14] Eleven of these countries received ten or more loans during these ten years. At the end of 1998, the IMF still had operational loans in twenty-six African countries.[15] In the 1990s, the Bank progressively moved away from broad adjustment programs, preferring instead to focus its conditionality on individual sectors. But these sectoral adjustment programs retain much of the same logic in terms of leveraging policy reform with resources. In addition to the multilateral donors, bilateral donors have provided substantial support for structural adjustment programs as well, although they typically do not distinguish adjustment from other forms of lending, so that it is hard to determine their importance relative to other forms of aid. Somewhere between a third and half of the aid going to Africa in the 1990s explicitly sought to bring about policy reform.

It has long been fashionable in certain circles to advocate a "Marshall Plan" for Africa to spur economic growth, but in fact Africa's dismal performance has come in the context of a substantial flow of aid resources to the region. The donors responded to the onset of the debt crisis in Africa with a sustained increase in aid, which grew by an astounding annual average of over 5 percent in real terms between 1970 and 1995. As a result, Africa received 24 percent of total official development assistance (ODA) in 1980 but some 37 percent in 1993. At their peak, the Marshall Plan resources accounted for some 2.5 percent of the

14. A useful summary is provided in Eva Jesperson, "External Shocks, Adjustment Policies and Economic and Social Performance," in Giovanni Andrea Cornia, Rolph van der Hoeven, and Thandika Mkandawire (eds.), *Africa's Recovery in the 1990s: From Stagnation and Adjustment to Human Development* (New York: St. Martin's Press, 1993), pp. 9–52.
15. Including three stand-by loans, one extended fund facility, and twenty-two enhanced structural adjustment facility loans. See *IMF Survey*, December 14, 1998, p. 398.

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GDP of countries like France and Germany.[16] By 1996, excluding South Africa and Nigeria, the average African country received the equivalent of 12.3 percent of its GDP in ODA, an international transfer that is unprecedented in historical terms.

Why have these policy reform efforts not succeeded? Why has reform proved so much more elusive in Africa than in other regions? Throughout the last twenty years, economists have argued about the causes of and the solutions to the African crisis. When the crisis first emerged, mainstream economists and the staffs of the World Bank and IMF largely blamed what they viewed as the wrongheaded economic policies of African governments for the crisis. In particular, they blamed excessive government expenditures, overvalued exchange rates, various domestic price distortions, high levels of public ownership, and protectionistic trade policies. They therefore prescribed policy reform: the IMF's stabilization programs included measures to cut the fiscal deficit, devalue what was typically an overvalued currency, and contract the money supply. The World Bank promoted structural adjustment programs that pursued price liberalization and deregulation, trade reform, and the divestiture or liquidation of state-owned enterprises in order to improve economic incentives and promote higher investment rates.[17]

Many critics disagreed with the IFI diagnostic. African governments defended their policies and argued that it was international economic

16. Stephen O'Connell and Charles Soludo, "Aid Intensity in Africa," paper presented to the AERC/ODC conference, "Managing the Transition from Aid Dependence in Sub-Saharan Africa," Nairobi, May 21–22, 1998.
17. The literature assessing the impact of economic reform in Africa continues to grow. Recent representative contributions include the World Bank, *Adjustment in Africa: Reforms, Results and the Road Ahead* (Washington, D.C.: World Bank, 1994); William Easterly and Ross Levine, "Africa's Growth Tragedy: Policies and Ethnic Divisions," *Quarterly Journal of Economics* 112 (1997): 1203–50; Giovanni Andrea Cornia and Gerald K. Helleiner (eds.), *From Adjustment to Development in Africa* (New York: St. Martin's Press, 1994); Jean-Claude Berthelemy, *Whither African Economies?* (Paris: OECD, 1995); Rolph Van der Hoeven and Fred Van de Kraaij (eds.), *Structural Adjustment and Beyond in Sub-Saharan Africa* (London: James Currey, 1994); Howard White, "Review Article: Adjustment in Africa," *Development and Change* 27 (1996): 785–815; Benno Ndulu and Nicolas van de Walle (eds.), *Agenda for Africa's Economic Renewal* (Washington, DC: Overseas Development Council, 1996), pp. 81–108; Thomas Callaghy and John Ravenhill (eds.), *Hemmed In: Responses to Africa's Economic Decline* (New York: Columbia University Press, 1994); David E. Sahn, Paul A. Dorosh, and Stephen D. Younger, *Structural Adjustment Reconsidered: Economic Policy and Poverty in Africa* (New York: Cambridge University Press, 1997); and Paul Collier and Jan Willem Gunning, "Explaining African Economic Performance," *Journal of Economic Literature* 37 (1999): 64–111.

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volatility – in particular the wild commodity price swings of the 1970s – that was the real cause of the crisis.[18] In the academic community, the old structuralist arguments about IMF stabilization programs in Latin America in the 1960s resurfaced regarding Africa.[19] Structuralists emphasized that the low-income countries of Africa were undermined by various market imperfections, bottlenecks, and rigidities, and that as a result, IFI prescriptions were inappropriate. For instance, they questioned the wisdom of exchange rate devaluations and trade liberalization, given what they argued to be the structurally inelastic supply of exports and demand for imports. Other critics did not necessarily disagree with the IFI approach but argued that adjustment programs that were being implemented imposed harsh and unnecessary costs on the poor and disadvantaged.[20]

Over time, there has been increasing convergence among economists regarding the African crisis. The IFIs have paid at least lip service to their critics' views, while structuralists have come to agree that basic macroeconomic stability was a prerequisite of growth.[21] This convergence remains imperfect, but it is undeniable. There is less disagreement than before regarding what a good policy environment looks like, and even less disagreement that very few African states have managed to come close to sustaining such an environment these last two decades. As a result, debates about structural adjustment have come to focus less on what constitutes good policy and more on the process and organization

18. This was notably the official stance of the Organization of African Unity (OAU), as expressed in its 1981 Lagos Plan of Action. See OAU, *Lagos Plan of Action for Economic Development of Africa, 1980–2000* (Addis Ababa: Organization of African Unity, 1981). For this early intellectual history, see John Ravenhill, "Adjustment with Growth: A Fragile Consensus," *The Journal of Modern African Studies* 26 (1988): 179–210; and Devesh Kapur, "The Weakness of Strength: The Challenge of Sub-Saharan Africa," in Devesh Kapur, John P. Lewis, and Richard Webb (eds.), *The World Bank: Its First Half Century* (Washington, DC: Brookings Institution Press, 1997), pp. 683–804.
19. See Miles Kahler, "Orthodoxy and Its Alternatives: Explaining Approaches to Stabilization and Adjustment," in Joan Nelson (ed.), *Economic Crisis and Policy Choice: The Politics of Economic Adjustment in the Third World* (Princeton, NJ: Princeton University Press, 1990), pp. 33–62; Tony Killick (ed.) *The Quest for Economic Stabilization: The IMF and the Third World* (New York: St. Martin's Press, 1984) summarizes the earlier debate surrounding stabilization in Latin America.
20. For instance, Cornia et al., *Africa's Recovery in the 1990s.*
21. See Dani Rodrik, "Understanding Economic Policy Reform," *Journal of Economic Literature* 34 (1996): 9–41. Rodrik acknowledges that this consensus does not extend much beyond the world of professional economists. See Chapter 3 for a more complete discussion.

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of getting those good policies. In particular, debates often focus on the role played by the World Bank and the IMF, and the manner in which these agencies operate in Africa, rather than about actual policy differences. It is, for example, agreed that a low inflation environment is desirable, or that African governments need to bring their fiscal deficits down, but the speed with which this is done, the precise mix of policies to achieve these objectives, is contested. In other words, debates have come to focus on adjustment programs rather than on adjustment.

A number of recent economic studies have sought to shed light on the African situation by engaging in cross-national statistical analyses that seek to explain economic growth.[22] Typically, some measure of the growth of national income over the last several decades is regressed on an array of country characteristics. On balance, this growth literature tends to strengthen the mainstream claims, although it does provide support for some of the structuralist claims. Much of the differential between growth in the rest of the world and in Africa can be explained by a fairly traditional list of policy variables. Thus, various proxies for the economic policy environment appear significant, notably the degree of openness to trade, the level of inflation, or the size of the fiscal deficit. In addition, the quality of the physical capital and existing levels of human capital appear to matter, factors that are influenced by policy in the long term and where African governments appear particularly deficient. But in many of these studies, a dummy variable for Africa is highly significant, suggesting that specifically African characteristics, not captured by any explanatory variable in the equation, account for much of Africa's slower economic growth. In recent years, the literature has sought to incorporate other explanatory variables to eliminate the dummy. Some of the candidates provide some comfort to the structuralist position in the sense that they are factors not easily manipulable by government policy in the short term, such as whether the country is landlocked, whether it is situated in the tropics, or what its initial level of income is. But this literature also points to the importance of political

22. These studies include William Easterly and Ross Levine, "Africa's Growth Tragedy"; Jeffrey D. Sachs and Andrew M. Warner, "Sources of Slow Growth in African Economies," *Journal of African Economies* 6 (1997): 335–76; Jonathan Temple, "Initial Conditions, Social Capital and Growth in Africa," *Journal of African Economies* 7 (1998): 309–47; Pierre Englebert, "Solving the Mystery of the Africa Dummy," *World Development* (in press); and Paulo Mauro, "Corruption and Growth," in *Quarterly Journal of Economics* 110 (1995): 681–712. See the excellent review in Paul Collier and Jan Willem Gunning, "Explaining African Economic Performance."

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