

**AN APPRAISAL OF THE IMPACT OF THE INTERVENTION OF
THE BRETTON WOODS INSTITUTIONS (IMF/WORLD BANK)
ON AFRICAN COUNTRIES' DEVELOPMENT: THE EXPERIENCE OF
KENYA AND GHANA**

**A
DESSERTATION
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OF SOCIAL SCIENCE IN POLITICAL SCIENCE**

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SUPERVISOR

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2010

Declaration.

I fully declare that this work, in its entirety is originally mine, and has not been published, in cases where there are citations from other sources; such sources have been fully acknowledged in the bibliography.



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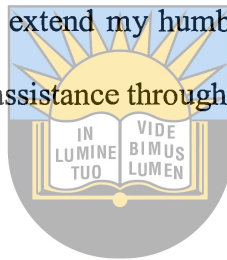
For this work to come to its fruition, I wish to thank my Supervisor Mr Donaldson.

I would also like to thank Mr Lushaba, lecturer in the Department of Political Science for his illuminating references which I found to be of value to this research.

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Last but not least, I would like to extend my humble appreciation to the University Library staff who have been great assistance throughout my undertaking of this study.



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Dedication.

I dedicate this work to God, to whom I would say, may so great a labor not be in vain.



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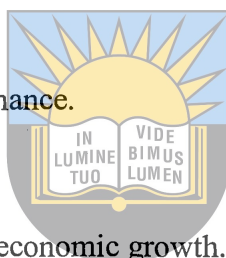
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DEFINITION OF TERMS

BALANCE OF PAYEMENTS DEFICIT: Occurs when a country suffers a decline in its net foreign income due to world recession and as a result, runs a trade deficit.

BRETTON WOODS INSTITUTIONS: The term is derived from the place where the IMF and the World Bank were conceived (Bretton Woods, New Hampshire, England). The conference was termed the Bretton Woods conference after the Second World War to discuss credit provision, and currency stabilization in post-war economic order. It is also worth to note that the term often denotes the IMF and the World Bank.

CLIENTELISM: The systematic use of personal favours to reward supporters and followers with jobs, contracts and projects. Clientelism usually involve abuse of state resources for private, political purposes, and to service the network of clients.

CONDITIONALITY: A practice of attaching strings to aid, applied as preconditions for credit worthiness of aid receiving countries as well as reforming countries.

CORE COUNTRIES: These are countries that are generally classified as economically advanced.

DEREGULATION: Reduction of government regulation of everything that can diminish profit, including protecting the environment and safety of jobs.

FINANCIAL LIBERALIZATION: Removal of trade restrictions on the inflow and outflow of international capital as well as restrictions on what foreign business and banks are allowed to buy, own or operate.

FUNGIBILITY: The basic economic notion and assertion that money pumped in or

given as loans or otherwise frees up other resources or money elsewhere for other use. Even if conditions are imposed which will ensure that such particular loan is used well, the loan itself frees up resources elsewhere which may or may not be used well.

IBRD& IDA: Is constituted by the International Bank for Reconstruction and International Development Association which are part of the World Bank group.

IMF: International Monetary Fund, its main purpose is to monitor economic and financial developments and the provision of policy advice aimed at crisis prevention.

INTERNATIONAL FINANCIAL INSTITUTIONS: These are the Bretton Woods institutions, constituted by the IMF and the World Bank. The latter's purpose is to grant loans to assist development programs in developing countries. Such developmental policies have been under Structural Adjustment Programmes.

MONETARY AUSTERITY: The tightening up of the monetary supply to increase internal interest rates to whatever heights needed to stabilize the value of local currency.

NEO-LIBERAL POLICIES: Western ideological policies, which refer to all-embracing political and economic ideology that advocates the primacy of market forces over alternative social arrangements.

NIC: Newly industrialized countries such as the Asian Tigers.

PATRIMONIALISM: In this system of rule, the state machine and bureaucracy is treated as the personal administrative staff of the ruler, with office bearers owing personal loyalty to the political head.

PERIPHERY COUNTRIES: These are countries that are classified as economically underdeveloped; Sub-Saharan African is generally classified as underdeveloped.

PROTECTIONISM: An approach or policy adopted by particular country for the purpose of selectively protecting some of its industries until they are strong enough to compete with foreign markets.

PUBLIC FLOATING: In privatization, a method where shares are offered to the general public through the stock market. Such an offer increases the likelihood that enterprises would be fairly priced, and so can help to de-politicize privatization.

SOFT STATE: Characterized by weak attestation to the rule of law, susceptible to corrupt tendencies and misuse of state resources through patronage and clientelism.

STRUCTURAL ADJUSTMENT PROGRAMMES: These are policy initiatives premised on Orthodoxy economic principles, which advocates the primacy of the markets over state-led developmental paradigm, advanced by the IMF and World Bank in order to revive and restructure the Third World economies towards economic growth and development. Thus, restructuring the economies of Less Developed countries is done through loan disbursements over a specified period of time.

URBAN BIAS THEORY: The extraction of surplus and profit gains meant for rural peasant farmers for further development of the urban areas.

World Bank: Is initially responsible for long-term financial loan disbursements to those countries deemed financially needy by the IMF. In principle, the Bank is more concerned with structural adjustment, than it is with stabilization policies which are thought to be the purview of the IMF.

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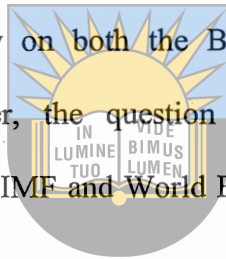
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Abstract.

Africa's persistent underdevelopment has evoked wide range of research interest within the domain of political economy, and the fore-going study seeks to shed light and thus contributing to the ever growing yet daunting subject.

The skewed economic relations within the international economic realm has, in particular, disadvantaged, and placed severe economic growth limitations in Sub-Saharan African countries. The external economic intervention by the IMF and World Bank through Structural adjustment programmes has as a result come under immense scrutiny as such programmes, to some considerable extent, impact on Africa's economic progress.

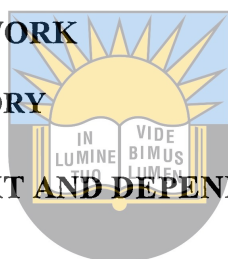
In light of the above, the burden of responsibility and apportioning policy responsibilities weighs heavily on both the Bretton Woods institutions and the reforming countries. Moreover, the question of arrogating Africa's continued economic decline purely to the IMF and World Bank appear to be too simplistic and one-dimensional.



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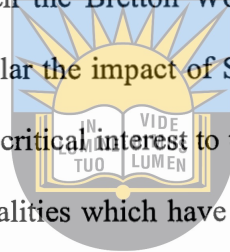


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CHAPTER ONE

1.1 BACKGROUND TO THE STUDY

The current study seeks to capture and locate the persistent economic decline experienced by Sub-Saharan African countries; in this effort, it utilizes Kenya and Ghana in comparative terms. By unravelling and critically interrogating the political and economic areas pertaining to such decline, the study sheds light on the continued decline. Moreover, the relationships between the Bretton Woods Institutions (IMF and World Bank) and African states, in particular the impact of Structural Adjustment Programmes (Saps) on reforming countries, is of critical interest to the study. As Structural adjustment programmes entail policy conditionalities which have to be adhered to as a precondition for commencement of the actual reform measures.



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The sheer vulnerability of the African states to the international market economy such as the 1973 oil shock makes them all the more prone to external intervention, in the form of aid with all its forms. Ghana and Kenya are not exempt from such economic vulnerability.

Since Nkrumah was ousted from power, the former Gold Coast has been ruled by six regimes, with the military assuming prominence. With such a sheer political instability, it was inconceivable that Ghana would make considerable strides in the area of economic development and policy continuity. The economic path followed by Ghana was not consistent either, when one considers the post-independence period, and is considered

two dimensional. The first was under the mould of the Nkrumah regime just after Ghana achieved its independence from Britain in 1957. Although educated in the West, in both America and Britain, Nkrumah's ideological orientation was markedly anti-West and he threaded a Socialist path which was in sharp contrast to Western ideology.

Nkrumah's Scientific Socialism, cast and refined within the African context, involved heavy state spending, which was supported by the healthy status of the economy after independence. Such an economic approach might have provided Nkrumah's government with enough grounds to shy away from the IMF/World Bank policies. As Boafo-Arthur observes, Nkrumah's refusal of the IMF/World Bank terms would appear to affect the momentum of the economic development strategy and, moreover, accepting such conditions for financial assistance would have meant compromising his transformation of Ghana's economy (Boafo-Arthur, 1999:1).

The second one was post Nkrumah era which was characterized by the trial and error approach of the succeeding military and civilian governments. In this regard, Chazan notes that after Nkrumah's overthrow Ghana was governed by six regimes; two elected civilian governments and four military ones. These regimes differed sometimes radically in terms of their social support base, internal structure, composition of leadership, policy approaches and conduct in office (Chazan, 1986:46). However, there were no fundamental changes either in terms of policy or with regard to the actions of the ruling elite as one regime after the other contributed to the country's economic decline. Chazan captures this well when she notes that all the succeeding regimes exhibited problems of

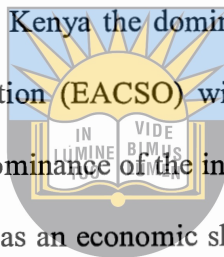
performance; tendency towards authoritarian rule, ethnic favouritism, intolerance of criticism, and, above all, inability to overcome economic deterioration. Although one is hard-pressed to judge which regime was better or worse, the cumulative effect was one of social, political, and economic decline (Chazan, 1986:47). The coming to power of Flight Lieutenant Jerry Rawlings meant, among other things, the adoption of Structural adjustment programmes.

Kenya appears to differ from Ghana in terms of economic policy directive, to which its government opted for a Capitalist accumulation strategy. Although Kenya's economic performance should be interpreted in context, it should be noted that as a postcolonial success it shared, like most African countries, weak bureaucratic colonial structures, tendency towards corruption, and unaccountability of the ruling elite. Leys notes that the only plausible explanation for Kenya's economic growth since the 1940s lies in the specific social relations of production developed before, during and after the colonial period (Leys, 2004: 36). Despite the considerable economic leverage that Kenya has enjoyed over most Sub-Saharan countries, the country's shared vulnerability in terms of the world economic market should neither be overlooked nor overemphasized.

It is this intrinsic fragility which characterizes African economies and their heavy dependence on external markets, and it is such an economic vulnerability which prompted these countries to seek financial assistance from the IMF and World Bank. It might be noted that as one of the preconditions adopted by the Bretton Woods Institutions is the kind of policy stance a particular country follows. With regard to this, it appears

overwhelmingly clear that Kenya's capitalist accumulation strategy was more favoured by the twin sister institutions over a Socialist led development adopted by Ghana.

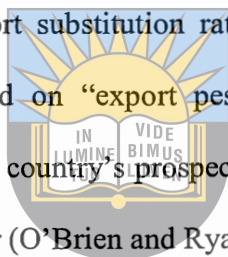
Barkan (1984: 10) enunciates Kenya's case in relation to the country's continued adoption of the capitalist accumulation strategy, chief among which has been the expansion of the administrative state; establishment of an effective political party; the expansion of the already developed private economic sector dependent on foreign capital for its growth. The latter also made Kenya the dominant regional trade partner in East African Common Service Organization (EACSO) with its headquarters established in Nairobi, Kenya's capital. Kenya's dominance of the intra-regional trade between Uganda and Tanzania was soon to resurface as an economic shortfall in the collapse of the trade cooperation in 1977.



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The adoption and establishment of the dominant political party which was able to contain ethnic divisions, while at the same time grappling with the implementation of policy and equitable redistribution of resources, meant that the political machinery had to strike a precarious balance in its continued existence. Yet, even striking such a precarious balance on the part of the Kenyatta regime proved to be an onerous undertaking which took into consideration the fact that resource distribution was always reaped and concentrated on the dominant ethnic group the Kikuyu, and was closely contested with client-patron relations as a defining political feature.

The Kenyan economy had continued its upward growth trend since it gained political independence. British colonial rule had left a solid capitalist economic base through which the post-colonial government of Kenyatta was to augment economic growth. O'Brien and Ryan (2001:406) maintain that one of the key economic factors upon which the economic policy hinged was, among others, industrialization strategy which was based on import substitution, and trade protection for domestic 'infant industries'. Inherent in this was the view that developing countries should follow an industrial development policy based on import substitution rather than export promotion. This developmental stance was premised on "export pessimism". The export pessimism argument claims that the developing country's prospects of breaking into global markets for manufactured products were poor (O'Brien and Ryan, 2001: 406).

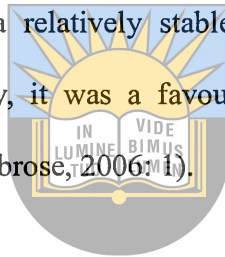


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The notion of protecting domestic industries sprung out of the conviction that African economies in general, including Kenya, lack the ability to diversify, and thereby compete on an equal footing with the advanced capitalist economies. For example, Kenya's main commodity products are tea, coffee and sisal among others, and they are agricultural, thus dependent on climatic conditions. This means that when drought strikes, the overall capacity of the economy to produce becomes severely compromised. This is opposed to manufacturing products that are competitive in international markets. All the key economic strategies mentioned above, which informed policy in Kenya, were neither strong nor weak, for they depended on the whims of the markets, as much as they were dependent on bureaucratic structures for implementation.

The capitalist system of comparative advantage, from which the Kenyan economy thrived, was neither predictable nor viable for long-term future economic prospects for the country. However, the overwhelming evidence of literature on the subject regarding Kenya's continued economic growth suggests that, because the country has followed a capitalist oriented approach to development, it was then viewed by the West as a harbinger of capitalist-led development in the region. As such, other African countries were inclined to emulate its developmental strategy. As Ambrose acknowledges, because Kenya has managed to maintain a relatively stable government and relative peace throughout its independence history, it was a favourite of the Western powers as a diplomatic and business partner (Ambrose, 2006: 1).



Apart from the challenges already mentioned, Kenya's economic performance was impressive in comparative terms. As Fig. 4 shows, the country's Gross Domestic Product grew by 6.8 percent between 1965, just after independence; and 1980, the period in which Kenya experimented with Structural adjustment programmes. Agriculture grew by 5.0 percent during the same period, manufacturing assumed a prominent increase of 10.5 percent (Fig. 4). Although Kenya's growth rate was impressive during this period, note Bailey, the fruits of this growth were not distributed equally, and that most of the benefits accruing to the emergence of the black middle class (Bailey, 1993: 215

Ehrlich echoes similar sentiments when he observes that the benefits of Kenyanization have been more equivocal, falling to a relatively small and elite group of Africans who were fortunate to be in a position, by virtue of their age, or education, or political

commitment, to inherit the jobs or farms or businesses of the expatriate community. For Ehrlich, of the three Kenyan policy fundamentals, which were rapid growth, Kenyanization, and an equitable distribution of benefits, the relatively successful one has been rapid growth. With regard to this he notes that success in achieving the first objective is indicated by an average annual growth rate of 7 percent in GDP between 1964 and 1972 (Ehrlich, 1976: 70).

1.2 RATIONALE

The intended research is important in that it focuses on IMF and World Bank policies which were intended to help put Africa's economies on a growth path in the early 1970s and 1980s. Given the rapid economic growth that has taken place in South Eastern Asia over a comparable period of time, it becomes necessary to revisit earlier explanations for Africa's economic underdevelopment; namely, that the IMF and the World Bank were simply a new form of Western Imperialism and that World Bank Structural adjustment programmes (Saps) were primarily responsible for the deterioration of the living standards of the majority of African people.

By this, I hope to provide new conceptual insights into the reasons for Africa's underdevelopment, with special emphasis on Ghana and Kenya, during the 1980 to 1994 period, in addition to analyzing the role of the state during this period. The comparison of the two countries, though a daunting task, becomes important in order to provide background information regarding political and economic developments, and the capacity of the state and authority relationships coupled with the role played by the political elite

of the two countries, and the levels of political corruption in both states. In addition, the study assesses the relative explanatory merits of various political approaches adopted by the two countries. It could be argued, with a degree of certainty, that although the two countries share some similarities, in that they were both former British colonies with strong economic and political ties with their colonial power, and the fact that both Kenyatta and Nkrumah were educated in Britain, with the latter in America as well, they differ in their economic and political strategies in terms of developing their newly independent countries.

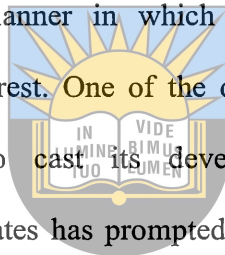


Although the two countries adopted different developmental strategies, with Kenya and Ghana assuming a pro-Western and a Socialist stance, respectively, it becomes important to look at how these strategies affected each country's overall development. Also of crucial importance is the lack of continuity with regard to Nkrumah's Socialist Ghana in terms of policy, while in Kenya there was a considerable degree of continuity since it gained independence.

1.3 PROBLEM STATEMENT

Post-colonial Africa has presented formidable challenges pertaining to the nature of the state, especially how well-developed and efficient African states are to carry out their developmental function.

In this light, the skewed international economic relations between Developed and Underdeveloped states, and the manner in which aid is dispensed, has attracted considerable academic research interest. One of the developmental state challenges in post-colonial Africa has been to cast its developmental path. However, the underdeveloped status of African states has prompted external intervention in terms of policy conception and implementation.



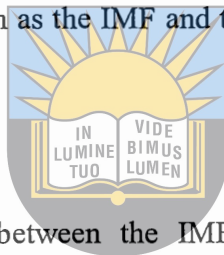
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These external actors in Africa's developmental cause have been the Bretton Woods Institutions, the International Monetary Fund and the World Bank through their policy mantra of Structural adjustment programmes. It is upon such programmes that, to a greater extent, Africa's economic progress hinge. How well such Structural adjustment programmes are received and viewed by African leadership has greatly impacted on their efficient implementation. It is the interest of this study to unpack and conceptualize the role played by the International Monetary Fund and the World Bank through their Structural adjustment programmes, and the extent to which such reform measures have impacted on Africa's economic progress by focusing on Ghana and Kenya as the study unit analysis.

1.4 AIM OF THE STUDY

One of the main aims of the research undertaking is to provide an in-depth analysis of the relationship between the policies of the International Monetary Fund (IMF) and the World Bank (WB), and the degree of economic stagnation or development of African states.

The ultimate objective is to provide a comprehensive analysis of the role played by international lending institutions such as the IMF and the World Bank, in contributing to Africa's underdevelopment.



The outcome of the relationship between the IMF, the World Bank and African governments - with specific emphasis on Ghana and Kenya - will be assessed in terms of theoretical approaches emanating from the dependency/underdevelopment school, the Weberian tradition, and Modernization school of thought.

1.5 OBJECTIVES OF THE STUDY

One of the key objectives of the study is to show, in broad terms, how the adoption of reform measures led by the International Monetary Fund and the World Bank has impacted on the receiving countries. As such measures were adopted with the aim of developing African economies, the study seeks to show how such a one-dimensional developmental path and 'one size fits all' approach, more often than not, has led to the resistance of such economic intervention, and consequently stalled the overall economic development within the adjusting African states.

1.6 HYPOTHESIS

Africa's continued economic decline has evoked wide and varied academic interest within the field of political economy. The post-colonial optimism evoked by acquiring political independence was not commensurate with the much anticipated fundamental change in people's lives. The unexpected turn of events of economic decline due to heavy state spending, an ever accumulating national debt, decline in agricultural production which forms the backbone of economic development in Africa, amongst other factors contributed to African states seeking the intervention of the Bretton Woods Institutions (IMF and World Bank).



1.7 SIGNIFICANCE OF THE STUDY

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The significance of this study is premised on, among other things, the exploration and analysis of the general development of African countries by focusing on the economic interventions made by outside role players. This study suggests that economic intervention in the form of policy imperatives should be precariously balanced with domestic interests, it purports that there should be broad unanimity between the initiators of policy, and the receiving countries.

The current study then contributes to the growing literature on the impact of the Structural adjustment programmes of the IMF and World Bank on African economies, as the general progress of African economies relies heavily on how such economic interventions are received by African countries.

1.8 SCOPE OF THE STUDY

The research has taken into consideration the general adoption of Structural adjustment programmes by most African countries. One of the ‘star’ performers of such reforms as judged by the World Bank and IMF was Ghana; it therefore becomes crucial to locate Ghana’s initiation of policy reform measures from 1980 to 1994 in comparative terms with Kenya because it forms the basis upon which Structural adjustment, especially in Africa, could be judged as successful or not.



CHAPTER TWO

2.1 THEORETICAL FRAMEWORK

The research is primarily theoretical and conceptual, with the main theoretical approaches to the study of African political economy being rigorously analyzed and interrogated.

Having noted this, the main objectives of the theoretical approaches are to seek a balanced analysis and interpretation of the underlying issues.

What is of critical importance is to seek to capture succinctly, and in broader terms, the main theories falling within the subject topic. As the issue of development is a more profound one, which affects every state differently and uniquely, it becomes critical to ponder the interplay between history, politics and the economy. The irony, however, of African countries is that they have not yet been able to reconcile such determinants. It will therefore be imperative to provide an explanation regarding the asymmetry and developmental inequalities which exist between the Western capitalist advanced

countries, and African countries or North-South relations utilizing the Dependency theory, the Weberian notion of the state, and Modernization theory.

The IMF and World Bank Structural adjustment programmes and their conditionality on the granting of loans to African countries would appear to further entrench the culture of dependency of the African countries borrowing from Western countries.

Dependency theory shall therefore be used to explore the historical inequalities associated with economic inequalities regarding the policies of the World Bank and IMF.

2.1.1 WEBERIAN THEORY



Weber's conception of the state seeks to provide substance and justification as to why most African states have not progressed economically, and that the bureaucracy of the state plays a crucial part in its developmental function. In this regard, such a state of affairs further incapacitates the African bureaucratic apparatus for successfully implementing World Bank Structural adjustment programs.

Leftwich notes that Weber was more concerned with how a state operated, rather than the character of its rule and nature of its output. As African states cannot be conceived and understood in terms of class, in this context, they can be understood in terms of a Weberian notion of patrimonial authority and under this system the state machine and bureaucracy is treated as the personal administrative staff of the ruler and members of the bureaucracy owe a personal loyalty to him or her. Secondly, neo-patrimonialism,

characterized by clientelism, (the systematic use of personal favours to reward followers and supporters with jobs, contracts and projects) and presidentialism (which is the concentration of political power in one person), further undermines the ability of the African state to administer policy and function effectively (Leftwich, 2000: 93).

2.1.2. MAX WEBER'S CONCEPTION OF THE STATE.

When post-independence African leaders assumed power from their colonial rulers, and hoisted high their national flags in jubilation of their newly attained freedom, little did they know that greater impediments still lay ahead as it has been widely held by Third World scholars that such political jubilation was short-lived. The greater challenge to the newly independent African state appears to be grounded upon the organization of the state itself. How well post-independent African leaders would utilize state power for the benefit of their citizens appeared to pose a greater challenge; one equivalent to the attainment of freedom itself. The post-colonial state in Africa had, as its ultimate objectives, to reverse the economic and political imbalances which were a colonial legacy.

This chapter, therefore, seeks to locate and capture the nature and development of the post-independent African state, and to show how the nature of such a state impacted upon its overall development. Such an analysis shall hinge upon the explanatory merit of the

Weberian conception of the state as it relates to the African state which brings to bear the structural constraints in policy implementation and its impact on overall development.

The true nature of the African state appears to be very elusive, and any attempt to unravel, and grapple with how it has evolved in the post-colonial period is a challenging task.

The post-independence African state has shifted quite significantly from the fundamental functions of the state: that of protecting its citizens, maintaining order and justice, and utilizing its power for the overall well-being of its existence. As Clapham notes, that what distinguishes the Third world state from its equivalents in other parts of the world is the combination of its power and its fragility (Clapham, 1985: 39).

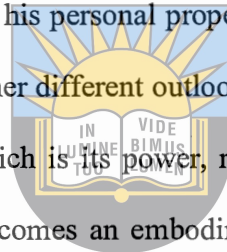
The logo of the University of Fort Hare is a circular emblem. It features a sun with rays at the top, a book in the center, and the motto 'IN VIDE BVM IN' on a banner below the book. The text 'UNIVERSITY OF FORT HARE' is written around the perimeter of the emblem.

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The paradox of power and fragility as explained by Clapham appears to be much grounded on the nature of the Third world state. In such a context, power is exercised for the existence of the state and its beneficiaries, while fragility is endemic in the exercise of such power. The Third world African state appears not to have been able to successfully reconcile the intrinsic contradictions, and thereby strike a balance between its power as its ultimate attribute for effective use, and the effective functioning of its bureaucracy.

This brings us to Weber's conception of such a state which differs quite significantly from the classical contractual theories of Hobbes and Rousseau, and from the conflict theories of Hegel and Marx. Weber's conception of the state took a rather different dimension; he distinguishes the traditional classical state from the modern state.

For Weber, the traditional classical state is characterized by its identification with personal rulership or a Sultan which, in its extreme form, involves unconstrained arbitrariness (Leftwich, 2000: 76). For Weber, the distinguishing feature of such a state is centred upon the ruler himself, as he postulates that the person exercising authority is a chief, whose administrative staff does not consist primarily of officials but of personal retainers. The political administration is treated purely as a personal affair of the ruler and political power is considered part of his personal property (Weber, 1964: 341). In such a context then, the state assumes a rather different outlook altogether than what is normally construed. Its ultimate attribute, which is its power, revolves around the personal ruler and, as such, he (personal ruler) becomes an embodiment of justice, peace, protection, and power itself.

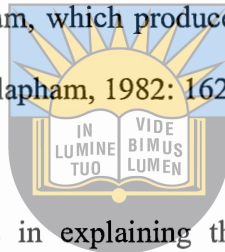


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Such a conception of the state, particularly as it applies to the traditional context, has been utilized to explain the underdeveloped Third World state including the post-colonial African state. The traditional conception of the state for Weber should be distinguished from the modern state both in context and in function. The modern state for Weber is characterized by impersonal bureaucratic staff in the context of the legal-rational authority. The characteristics of such a legal-rational type of authority for Weber should be distinguished from patrimonial rule. Leftwich, citing Weber, identifies the following characteristics which are crucial for Weber's conceptualization of the Modern state; these are, hierarchy, a personal free staff with impersonal duties, a clear specification of the tasks of the office, a contractual basis for employment, promotion by merit, non-

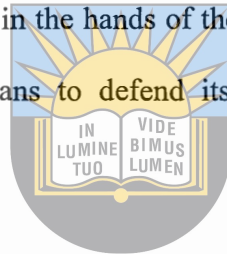
ownership of the post or its resources by officials (Leftwich, 2000: 77). The presence of the legal-rational authority for Weber sets the modern state apart from the traditional patrimonial state.

As previously noted, it becomes crucial to distinguish the characteristics of the legal-rational authority from those of the traditional authority; the Third world African state appears to be explained by its attestation to personal and patrimonial rulership. It is such a state of affairs, as noted by Clapham, which produces 'a state where inefficiency and instability prevail as a way of life' (Clapham, 1982: 162).



The fundamental shift of emphasis in explaining the Third world African state in Weberian conception appears to hinge on the fundamental difference in the manner in which these states are organized and function. This fundamental difference, premised on the operational function of such states, sets the underdeveloped soft state apart from the developed strong state. And, as such, they require more compatible explanatory merit in trying to capture their assumed dimension. Clapham captured this well when he notes that the Third world state is hierarchical, and that within this grid of hierarchy are agencies concerned with the economic management of the state. The Third world state has to maintain itself by extracting resources from the domestic economy, and whereas the developmental function of the state is often patchy and inadequate, its extractive ones are omnipresent (Clapham, 1985: 40).

Thus, the argument derived from the Weberian notion in trying to explicate the underdevelopment of the state fits neatly with the African context. At the fundamental level, this took the dimension of how power is utilized for the greater benefit of civil society. The question of checks and balances assumes a whole new meaning, applied partially so long as its role is to keep and protect the state. The exercise of extracting resources from the domestic economy, as argued by Clapham, only acts as a perpetuation of its existence and any threat to its existence, whether internal or external, is suppressed. In this sense then the state becomes, in the hands of those who own it, not only a source of benefit in itself, but also a means to defend itself against domestic discontents (Clapham, 1985: 40).



The lack of synergy between the post-colonial Third world state, with its civil society coupled with apprehension of those who are in control of the state, provides a clear indication that the state has fallen short of its obligatory functions.

The discontent and dissent is contained within the state bureaucracy, thus affecting its efficiency. As Clapham mentions, under such conditions the problem is not that of development, but the maintenance of order and survival, and that all the energies of the rulers go into more or less successful efforts to stay in power (Clapham, 1982: 163).

The underdeveloped state thus presupposes what Weber termed the personal rulership which is characterized by lack of legal-rational authority. The idea of the 'soft state' has come to characterize this kind of state. Although the notion of the 'soft state' was applied

to the study of political conditions in East Asia it, however, has assumed relevance in the Third world African state. For Myrdal, the soft state is characterized by a lack of social discipline in underdeveloped countries, deficiencies in their legislation, particularly law observance and enforcement, lack of obedience to rules and directives handed down to public officials, collusion between these public officials and powerful persons, and the general inclination of people in all strata to resist public control and implementation (Myrdal, 1970: 229). Of crucial importance in Myrdal's analysis of the soft state is the pervading absence of its attestation to legal-rational authority in Weber's terms.

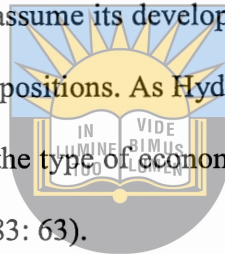


The notion of the soft state has been further developed by Hyden who, not entirely differing from Myrdal, has Africanized the notion of the soft state. For Hyden, the Third world African state has allowed the clan and clientelist pressures to enter the bureaucracy and thus reduced the managerial autonomy of top officials, while politicians had been able to pervert all norms of recruitment, promotion, and discipline in the public service (Hyden, 1985: 60). Thus, both in Myrdal and Hyden's conception of the 'soft state' there appears to be some synergy, at least in principle, with Weber's account. For Weber, the underdeveloped state is explained by its attestation to traditional personal rulership, and its non-obedience to legal-rational authority. The central theme for both Myrdal and Hyden is their emphasis on the fragility of the bureaucratic structures which are a result of non-compliance to legal norms.

This fragility of the underdeveloped state is further emphasized by Bayart who observes that participants in power provide a hold over the economy, much more than the opposite.

The young national state is thus comparable to the traditional state since one's position in relation to the apparatus of the state also determines one's social status, the nature of one's relationship to the economy and one's material power (Bayart, 1993: 60).

Since the Third world African state lacks authority, it becomes susceptible to the misuse of power. The central and overriding theme in Weber's exposition hinges on good governance which most Third world African states lack. In such a state, where there is a lack of authority, the state ceases to assume its developmental function; its power is then utilized for the security and safety of positions. As Hyden puts it, the mechanisms of such a soft state become the antithesis of the type of economic efficiency that is necessary for growth and development (Hyden, 1983: 63).



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It is worth noting that, apart from the lack of authority of the post-colonial state, the decision making process becomes so centralized, and such centralization has been justified in a variety of ways. One of the underlying features of the centralization of power (in one party state) leads to a more direct way to achieve rapid development and advance the general public welfare (Chazan et al, 1992: 47).

The problem with such justification is that it is neither premised on pragmatism nor on utopianism. The advancement of public welfare and rapid development as proclaimed by such proponents has, since independence, not achieved its intended objective, to the extent that no trickle-down effect has been realized thus far. In this context, therefore, the post-independent African state has not taken off in terms of its much proclaimed

developmental task. The ever-widening gap between those who control access to state resources and civil society has relatively worsened as one regime after the other has maintained and upheld the status-quo. As Bayart observes, the link between holding positions of wealth is also clearly related to the political hierarchy, the exercise of supreme authority, in particular, generally goes hand in hand with a proportional increase in wealth (Bayart, 1993: 87).

It appears that the Third World African state is yet to achieve its intended purpose of development in the political and economic sense. The degree to which the state as an institution faced formidable challenges provides an indication that the development of the Third World African state has not yielded the much anticipated developmental function. Such a disposition of the African Third World state has impacted negatively on its capacity to deal with developmental constraints. In this sense, the state has ceased to perform its obligatory traditional function, and has become an impediment to progress.

2.1.3 THE RELEVANCE OF MAX WEBER'S CONCEPTION OF THE STATE.

On the primacy of politics in development, Leftwich emphasizes the significance of the state as the primary vehicle of development. However, and crucially so, the way in which the character and capacity of states affected their developmental competence was seldom explored (Leftwich, 2000: 73). The World Bank and International Monetary Fund as the main exponents of Structural adjustment programmes have since shifted their emphasis

towards the understanding of the role of the state, more so because serious resistance both within and outside the state represented major political constraints on the enactment of programmes of Structural adjustment (Leftwich, 2000: 74).

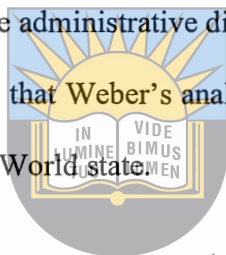
Consequently, it is this same premise to which Max Weber introduces in his analysis of the state. The greater challenge of post-colonial African independence appears to be grounded in the organization, effectiveness, efficiency and bureaucratic capacity of the state itself. The post-colonial optimism and expectations, to a greater part, hinge within the state. The success or failure of any reform policy measures rested upon the effective leadership qualities as well as how well organized and effective the state apparatuses are to carry out reforms.



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Weber's conception of the state took a rather different stance from that of the conflict and contractual theories of Hegel, Marx, and Hobbes and Rousseau which emphasize class and the notion of social contract. Weber begins by distinguishing the traditional classical states from the modern contemporary state. For Weber, the traditional classical state has as its characterization identification with personal rulership, which in its extreme form involves unconstrained arbitrariness (Leftwich, 2000: 76). In such a state, the administrative staff is replaced by personal retainers, and political administration is treated as a purely personal affair of the ruler and political power is considered part of his personal property (Weber, 1964: 341).

The modern state for Weber is characterized by its impersonal bureaucratic staff in the context of a legal-rational administrative order. In essence, the following attributes that set the modern state apart from its traditional counterparts: hierarchy, a personal free staff with impersonal duties, a clear specification of tasks of the office, a contractual basis of employment, promotion by merit, non ownership of the post and its resources (Leftwich, 2000: 77). By distinguishing between the traditional state which is characterized by the absence of legal-rational authority from the modern state, Weber cast the former as underdeveloped, 'soft' and lacking the administrative discipline to carry out its obligatory functions. The consequence of this is that Weber's analysis of the state has been utilized to explain the Underdeveloped Third World state.



Thus, the arguments derived from Weberian notions of the state and its underdevelopment fit neatly into the Africa context. The combination of state power and its fragility as espoused by Clapham represents a kind of state where power is exercised for the state's own existence and its beneficiaries, while fragility denotes the absence or lack of state capacity (Clapham, 1985: 39).

At the fundamental level, the question of checks and balances assumes a whole new meaning, since it is applied partially so long as it keeps and protects those in state power, as well as constantly suppressing domestic discontent. Under such conditions the problem is not that of development, but the maintenance of order and survival. It is thus the absence of the legal-rational authority in Weberian terms which has come to define the underdeveloped 'soft state' in Africa. Although the notion of the soft state was critically

applied to the study of East Asian political conditions, it has come to assume relevance in the Third World African state.

Myrdal conceives of the soft state as characterized by lack of social discipline, deficiencies in legislation (particularly in law observance and enforcement), as well as lack of obedience to rules and directives handed down to public officials (Myrdal, 1970: 229).



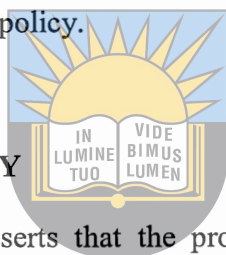
The soft state was thus incapable of promoting urgently needed development. It failed to impose obligations and responsibilities on the masses and was unable to act decisively against corruption, at all levels. As a consequence, its softness allowed conservative and reactionary elites in the rural and urban areas to undermine and resist the ideals and implementation of modernization programmes (Leftwich, 2000: 81).

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Thus, the central theme for both Weber and Myrdal is their emphasis on the fragility and weak bureaucratic structures which result from non-compliance with legal norms (see also Bayart, 1993: 60). Apart from this, Weber's exposition also hinges on good governance which most Third World states lack. For Hyden (1983: 63) such a condition then becomes the antithesis of the type of economic efficiency that is necessary for growth and development.

Weber's exposition of the state and his differentiation between the traditional classical state and the modern state helps, to a certain extent, to shed light upon the function of

such states within Third World African countries. Such an account further contextualizes the state as agent of development and, in so doing, provides some clarity as to why development or lack thereof has not taken-off or occurred. Thus, for Weber, it is the well developed bureaucratic capacity which determines and defines the level of state development of the traditional classical state. The following discussion then seeks to cast some light on the salience of the state's institutional capacity to carryout reform policies. It focuses on the administrative capacity, efficiency, and development of such institutions as the main drivers of developmental policy.



2.1.4 MODERNIZATION THEORY

In essence modernization theory asserts that the process of development within the periphery should emulate the advanced and developed countries in their quest for development. If modernization is to be realized, in the modernist perspective, underdeveloped countries have to discard their nomadic and traditional approaches in favour of a Western developmental paradigm.

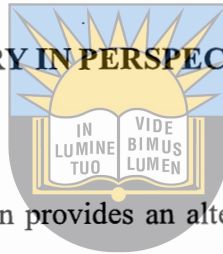
As the study seeks to establish the impact of Structural adjustment programmes in Kenya and Ghana, the relevance of modernization theory is its insistence on an orthodox developmental paradigm which encompasses policy reform measures advanced by the Bretton Woods Financial Institutions. In this sense, reform measures should be understood and rest within modernization theory.

2.2 THEORIES OF DEVELOPMENT AND UNDERDEVELOPMENT AND THE ROLE OF THE STATE.

To say one more thing about preaching what the world ought to be like, philosophy arrives always too late for that, as thought of the world it appears at a time when actuality has completed its developmental process and is finished... When philosophy paints its grey in grey, a form of life has become old, and this grey in grey cannot rejuvenate it, only understands it. The owl of Minerva begins its flight when the dusk is falling.

G.W.F Hegel, Philosophy of the Right and Law, In Carl J. Friedrich (ed.), Philosophy of Hegel, p. 227. Cited in Leys, C. 1996. The Rise and Fall of Development Theory, (p.3).

2.2.1 MODERNIZATION THEORY IN PERSPECTIVE

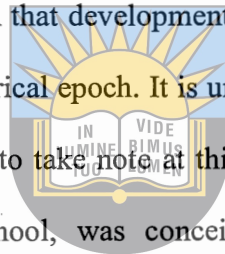


Although the theory of Modernization provides an alternative theoretical exposition for the Dependency theory, with regard to understanding Third World developmental problems, its theoretical exposition is as alien to the Third World as its advocates and proponents. Conceived and nurtured under the Western mould and influence, in the United States of America in particular, its general emphasis is on scientific logic as opposed to the traditional beliefs and value systems which, according to the Modernization theory, African countries appear to embrace. According to this theoretical assertion, if Africa is to achieve development in the true Western liberal sense, it has to discard its nomadic and traditional beliefs and value systems.

However, there is no clear explication of how Africa and Third World Underdeveloped countries should achieve this. Whether this is achievable through partial abandonment or complete abandonment of the traditional and value systems which, according to this

theory, impede development and are deeply rooted in Africa and the Third World. Having noted this, the emphasis of this subsection will be placed on the theoretical underpinnings of Modernization theory, and how such a theory is relevant to the overall study and conceptualization of underdevelopment, especially in the African context.

Modernization theory, like Dependency theory, seeks to capture and explain the developmental process in the Periphery. It views the process of development as uniform and transcendental. This would mean that development is neither confined nor restricted to any particular place, time, or historical epoch. It is underpinned by its dichotomy in its insistence on development. One has to take note at this juncture that the Modernization school, unlike the Dependency school, was conceived and nurtured by American intellectuals, attempting to provide a political and economic logic to development. In a way, Modernization theory was imposed from the top down, from the Developed to the Underdeveloped, from the developed to the underdeveloped world (Tipps, 1973; 2000).

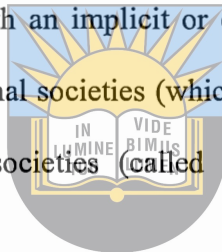


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In retrospect, Modernization theory may be traced to the response of American political elites and intellectuals to the international setting of the post-second world war era, particularly the impact of the cold war and the simultaneous emergence of Third World societies as prominent actors in world politics in the wake of the disintegration of the European colonial empires. Thus, Modernization theories were partially conceived as a response to the post-war era, arguing that traditional societies were bound to progress along the path travelled by modern societies in their process of transition to modern societies. In this respect, the West and European countries were, according to

Modernization theory, to be emulated and looked upon as providing the overall guidance towards developmental salvation. Like any salvation, the path towards its realization was fraught with trials and tribulations; yet at the end, the price - which in this case is 'modernity' - is worth paying and striving for.

This is a glimpse of the theory of Modernization; its distinction between traditional and modern societies is clearly defined. Larrain enunciates this point when he observes that all Modernization theories begin with an implicit or explicit reference to a dichotomy between the two ideal types; traditional societies (which are also called rural, backwards or underdeveloped), and modern societies (called urban, developed, or industrial) (Larrain, 1989: 87).



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By making a distinction between the two types of societies, Modernization theories assume an indication of the primacy of the industrial capitalist society over the underdeveloped pre-capitalist society. Such a characterization sets the two worlds apart, one imposing on the other, and one subsumed by another. The dichotomous reference referred to above is asymmetrical, in this case favouring modern societies. This is the case, Modernization theories assert, mainly because traditional societies lack and are deprived of the ultimate knowledge to change their plight, or if such knowledge is there the means and will to change is minimal if it exists at all. This being said, change for Modernization theorists is a gradual, as opposed to a rapid, process.

In trying to distinguish between the developed capitalist system (macrocosm), and the pre-capitalist backward system (microcosm), Fig-1.1 makes the distinction clear by juxtaposing the two systems, both macro and micro-cosmic. The macrocosmic system represents world capitalism which is controlling and influencing its sub-system. The macro-cosmic system is economically more powerful, stronger and better organized (Ghosh, 2001: 3). Expressed differently, this means that Third World countries, including those in Africa, have to embrace industrial capitalist development in their quest to become modernized.



TABLE- 2.1

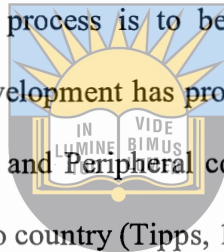
PERIPHERY AND CORE: MACROCOSM AND MICROCOSM SYSTEMS IN SCHEMATIC REPRESENTATION.

MACROCOSM *University of Fort Hare Together in Excellence* **MICROCOSM**

<ul style="list-style-type: none"> • Capitalist in orientation 	Pre-capitalist in orientation
<ul style="list-style-type: none"> • Advanced and rich 	Poor and backward
<ul style="list-style-type: none"> • Producer and exporter of finished 	<ul style="list-style-type: none"> • Importer of finished products and technology.
<ul style="list-style-type: none"> • Already developed, and supplies capital and technology at high prices to the Microcosm. 	Cannot develop itself independently
<ul style="list-style-type: none"> • It is not exploited by any system. 	exploited by the macrocosm

Source: B.N. Ghosh, 2001. Dependency Theory Revisited, pp-3,

Lerner (1958), Black (1966), Smelser (1967) and Huntington, (1968) observe that Modernization becomes a series of transactions from primitive, subsistence economies to technology-intensive industrialized economies; from subject to participant cultures; from closed, ascription status, to open achievement oriented systems; from extended to nuclear kinship units; from religious to secular ideologies., Whether these progressive transformational stages are roughly similar or otherwise, we are provided with no clear and precise indication of how this process is to be realized. Although it could be conceded that industrial capitalist development has proved indispensable and resilient to the future development of both Core and Peripheral countries, such development is not uniform and may vary from country to country (Tipps, 1973: 204).



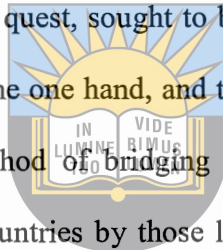
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In trying to analyze Modernization theory, caution has to be exercised striking symmetry between the origins of the theory in Western liberal thought, and its effects on and interpretation in relation to the Periphery for whom it is supposed to make a meaningful impact. In this regard, Moore notes that Modernization presents an optimistic perspective on the question of whether poor countries would emerge happily through the transition phase from tradition to modernity (Moore, 2001; 4). The optimism evoked by Modernization with regard to Third World development should not overshadow the reality of the Periphery.

Although the Modernization school seeks to provide optimism for future developmental prospects of the Third World, such optimism may be short-lived. This is the case mainly

because, despite the fact that Modernization is universal in outlook, the processes which propel it may vary and are, to a greater extent, largely shaped and directed by endogenous determinants, as much as they are influenced by exogenous determinants. In this sense, therefore, if Modernization theory is to make a meaningful contribution to the Third World, it has to be refashioned according to the context of Third World value systems (Huntington, 1968a:68).

Modernization theory, in its ultimate quest, sought to bridge the existing developmental chasm between the Third World on the one hand, and the Developed world on the other. In terms of Modernization, the method of bridging the gap is the emulation of the developmental path of Developed countries by those less developed. However, the less developed countries are provided with no clear method of bridging the gap or as Huntington suggests, if the method is there, it is blurred. If Modernization is a universal and transcendental phenomenon, caution has to be exercised regarding the general will to embrace it from the Periphery.

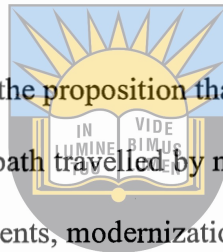


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2.2.2 THE RELEVANCE OF MODERNIZATION IN DEVELOPMENT

As a theoretical tool in trying to shed light on Underdevelopment in Africa, modernization theory assumes relevance with some plausible propositions in this regard, despite its coinage within Developed capitalist countries. In its explication, modernization advances four propositions which reflect on the path towards development.

In the first proposition, modernization theory makes a distinction between traditional societies which are characterised as rural, backward and underdeveloped, and modern societies which are characterised as urban, developed or industrial (Larrain, 1989: 87). This distinction sets the two worlds of the divide apart which in itself helps in identifying the intrinsic asymmetry within them. This dichotomous explication contextualises the problem of development and underdevelopment.



Secondly, modernization emphasizes the proposition that traditional societies were bound (in their quest) to progress along the path travelled by modern societies in their transition to modern societies. For these proponents, modernization as a process has set a historical developmental trend to be emulated by less developed countries.

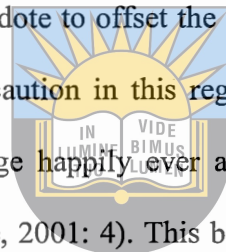
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Thirdly, and perhaps most legitimately, modernization proponents advance the notion of scientific logic as opposed to traditional value systems. The notion of scientific logic presupposes a stable political environment for any economic progress to be realized, It is the application of such a scientific enquiry which has enabled the advanced developed countries to assume their level of development.

Fourthly, as a developmental paradigm, modernization sought to bridge the existing developmental chasm between Third world countries, on the one hand, and Developed countries, on the other. In terms of modernization, the method of bridging the gap is the

emulation of the developmental path of developed countries by those that are less developed.

In essence, the adoption of Structural adjustment programmes as envisaged by the World Bank and International Monetary Fund represents an exhortation of underdeveloped African countries towards their quest for development. Apart from the fact that such programmes have been initiated by developed capitalist countries, they nonetheless represent some form of remedial antidote to offset the developmental process within the periphery. However, Moore places caution in this regard by noting that it is arguable whether poor countries would emerge happily ever after through the transition phase from traditional to modernity (Moore, 2001: 4). This being noted, if modernization is to have any meaningful impact on the Third world, as claimed by its proponents, it has to be refashioned according to context through which it is supposed to be directed.



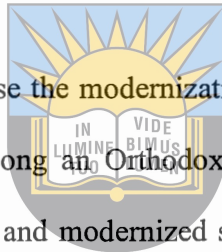
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The central theme for the modernization school is development or lack thereof, on the other hand Structural adjustment programmes seek to exhort underdeveloped countries towards the path of development as envisaged by the Neo-orthodoxy paradigm.

Therefore both the modernization school and Structural adjustment programmes have as their common objective the general progress of countries towards development and being modernized.

Structural adjustment programmes have, as one of its policy package the restructuring of the reforming country's economies through 'rolling-back' the state within the economic

realm as one of its fundamental objectives. As one of the preconditions for achieving this, it proposes privatization, exchange rate reforms, and agricultural reforms. Having adopted such measures, it is believed that such countries would redirect their economies towards a more liberal, market oriented developmental paradigm. This would represent a fundamental shift of policy, from an overdeveloped and statist approach which, according to Orthodoxy tenants, causes underdevelopment, to a market-led developmental approach.



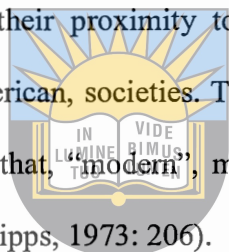
As a consequence, particularly because the modernization school of thought envisages a modern developed state of affairs along an Orthodoxy paradigm propelled by market forces, it is averred that a developed and modernized state of affairs would not only be possible but attainable. Moreover, because policy fundamentals are the main determinants of development, it becomes imperative for the reforming countries (as far as Orthodoxy is concerned) to discard their statist developmental approach.

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Thus, within the transitional process, from traditional to modern, Structural adjustment programmes then supplant the statist approach, thus casting the path towards modernization. In this sense, modernization and structural adjustment programmes are compatible, both envisaging a modernized and developed state of affairs. The policies of Structural adjustment become the economic tool (means) for achieving the state of development (ends).

In this regard, Tipps postulates that the popularity of modernization must be sought not in its clarity and precision as a vehicle of scholarly communication, but rather in its ability to evoke vague and generalized images which serve to summarize the various transformations of social life attendant upon the rise of industrialization and the nation-state in the late eighteenth and nineteenth centuries (Tipps, 1973: 199).

This being noted, critics of modernization have pointed out that the theory “continues to evaluate progress of nations... by their proximity to the institutions and values of Western, and particularly Anglo-American, societies. The assumption upon which much of modernization theory is based is that, “modern”, means being Western without the onus of independence of the West” (Tipps, 1973: 206).



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However, in light of the current study, modernization theory has achieved the purpose of casting light, or at least pointing towards it, on the developmental state of affairs. The development of nations nonetheless had to be cast along some path, and theoretical alternatives regarding how this path is to be conceptualized are still subjected to debate.

Modernization theorists like Huntington emphasize the perverse political dimensions of the transition process: the stress on the polity that transition implied, especially the strain of accommodating rapid increases in the level of political participation for political systems adapted mainly to ‘traditional’ forms of rule. By doing this, Huntington in particular developed pessimism towards taking modernization away from its liberal roots

to a statist paradigm emphasising the priority of order and authority over the representativeness and accountability of political institutions (Huntington, 1968, 167).

It is this statist paradigm infused with order and authority, and mutually inclusive although rejected by Huntington, accountability and capacity of state institutions which Weber gives an illuminating exposition of why they impede or contribute towards development.

2.2.3 DEPENDENCY THEORY

Dependency theory critically challenges the developmental paradigm envisaged by modernization. Dependency theory contends that the underdevelopment in the periphery is continually reinforced and perpetuated by modern advanced countries. This has been made possible, according to Dependency proponents, by historical legacies such as colonialism and imperialism which have set a developmental chasm between the underdeveloped and developed world. Dependency theory therefore shall provide the theoretical grounding of both the Developed and the Underdeveloped world and as such provide some conceptual framework through which development and underdevelopment should be comprehended.

Essentially, the idea of the International Monetary Fund and the World Bank being “responsible” for Africa’s underdevelopment, with special emphasis on Ghana and Kenya, will be tested by way of the utilization of the above analytical tools, namely; Modernization school of thought, dependency and underdevelopment explanations, and

explanations rooted in the Weberian tradition of looking at (a) authoritarian relationships and how these relationships strengthen or undermine (b) bureaucracy.

2.2.4 DEPENDENCY THEORY IN PERSPECTIVE

Only with this universal development of productive forces is a universal intercourse between man is established, which produces in all nations simultaneously the phenomenon of the propertyless mass (universal competition) and makes each nation dependent on the revolutions of the others, and finally has put world-historical, empirically universal individuals in place of local ones ... How otherwise ... does it happen that trade ... rules the whole world through the relation of supply and demand – a relation which, as an English economist says, hovers over the earth like fate of the ancients, and with invisible hand allots fortune to men, sets up empires and overthrows them, causes nations to rise and to disappear..?

Karl Marx & Friedrich Engels, 'The German Ideology', In Robert Tucker (ed.) The Marx-Engels Reader. 1978. Norton, (pp: 161-162).

The structure of the international political economy, its history and condition has been conceptualized and underpinned by the liberal capitalist ideology throughout its historical evolution. The industrially advanced countries, due to their level of development, fall within what is often termed the Core, as opposed to the less economically advanced countries which are often referred to as the Periphery. As a consequence, it is within the Periphery that most African countries fall, and where emphasis shall be placed.

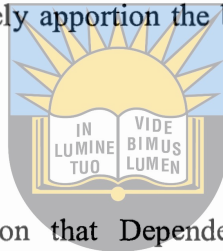
The economic relationship between economically advanced countries (Core countries), and less advanced countries (Peripheral countries) has been premised on unequal terms. It is therefore this chapter's concern to critically evaluate the school of Dependency in relation to underdevelopment, or lack of development, with particular reference to the role of the state by using Kenya and Ghana as representative African states which, as already outlined, fall within the Peripheral category. Although Dependency theory itself

was conceived beyond the African continent, its relevance and theoretical expositions have striking similarities to the realities felt by African states. The unfortunate and economic backwardness of the African states has invoked various theoretical attempts in trying to understand and provide a relevant account of the predicament which has befallen African countries after independence still find themselves.

The theory of Dependency attempts to provide a theoretical exposition of the developmental gap that exists between Core countries and Periphery countries. As previously noted, the international political economy has been profoundly inimical to overall economic development in the periphery. In other words, the trickle-down effect from the Core to the periphery has not yet occurred. While modernization theory places emphasis on the need of the Underdeveloped countries of the Periphery to emulate the Developed countries in their quest for development, Dependency theory emphasizes the impact of historical legacies such as colonialism and imperialism when referring to the status of the Underdeveloped Third World countries.

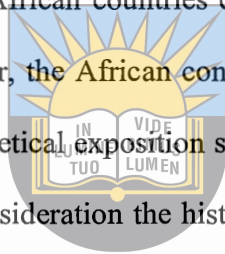
One of the primary theses of the Dependency school asserts that underdeveloped countries are caught in a system of pressures which sharply constrain and determine the developmental options available to underdeveloped countries. According to the Dependency theory, the asymmetrical configuration of international relations is extreme, and irreversible. In the words of Theodore Dos Santos, "Dependency state limits the possibilities of the subordinate economies in favour of the already economically advanced countries" (Dos Santos, 1970: 109).

Kaufman elaborates on this point by noting that Dependent countries, to some extent, are unable to exert substantial influence over the basic decisions affecting their national economies, the issue of what to produce, how to produce, and for whom, are all shaped directly or indirectly by international structural processes (Kaufman,1975: 304). Yet, over and above, the developmental gap which exists between the 'Core' and the 'Periphery' is clearly a cause for concern. Yet, having considered this, it needs to be noted that it would be naive to entirely apportion the blame for the plight of the Third World to Developed countries.



It is clear from the above assertion that Dependency theory is underpinned by imperialistic and Marxist undertones, and as such raises some crucial questions. The question of whether Dependent underdeveloped countries achieved their status because of foreign intervention or whether, if there was never external contact with the outside world, Dependency will still be of relevance in explaining development and underdevelopment. What is clear from the above is the fact that from the Marxist perspective development and underdevelopment are explained in terms of the capitalist centre and the relations of production in both developed and underdeveloped countries. In Dependency theory such a relationship is explained in terms of unequal exchange relations between developed and underdeveloped states. "Its arguments are derived from a number of central assumptions, loosely similar, if not always equally weighted, all of which shared with Marxism the central proposition that economic relationships are the principal determinants of political, social, and cultural forms" (Perez Jr., 1990: 135).

Although Dependency theory was an imported theoretical exposition which tried to explain the developmental inequalities which existed in Latin American countries on the one hand, and advanced Western countries such as the United States of America on the other hand, it however gained ground and was universally applied. Such a universal approach was adopted by social scientists as a theoretical framework for grappling with underdevelopment in Africa and the Third World and, in broad terms, to try to explain the economic underdevelopment of African countries compared to advanced North and Western capitalist countries. However, the African context needs to be put in its proper perspective in relation to such a theoretical exposition since circumstances vary and such an explanation needs to take into consideration the historical nature and development of the African states if objective progress, in trying to grapple with their continued dependency, is to be realized.



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2.2.5 THE AFRICAN CONTEXT AND DEPENDENCY

The African situation, including the Third World, has experienced an unequal relationship with the economically advanced capitalist countries. As the paradigm of Dependency seeks to explain the developmental gap between the Core and the Periphery Africa falls within the periphery mainly because of its sluggish economic growth compared to Northern and Western capitalist countries. Most of African countries, with the exception of Liberia and Ethiopia, were former colonies of European imperialist aggression inspired by the need to increase their sphere of influence to other parts of the

globe. Africa's vulnerability and developmental status, amongst other factors, made it all the more susceptible to foreign intrusion. Foreign dominance in Africa, inspired by colonialism and imperialism, left an indelible legacy, the complete eradication of which would require a concerted effort throughout all social formations. The African context presents us with a unique experience regarding the forces which brought about the modern societies of Europe and the West; these forces were to operate on an entirely different scale when it comes to the African context. Since the post independence period, there have been varied interpretations of why African states remain underdeveloped despite some foreign assistance by International Financial Institutions (IFIs).



Having noted that the theory of Dependency was conceived outside the African continent the need arises as to how such a theory, alien to Africa, could be extended to analyze the African context in relation to development and underdevelopment. Realizing its theoretical origin, the theory of Dependency was adopted as a theoretical framework by some African scholars with the view of comprehending and explaining the plight of Africa. Among the Dependency scholars who utilized this theory outside its original confines were Walter Rodney (1972), Samir Amin (1976), and Clive Thomas (1974).

As a matter of consequence, Latin American countries fall within what is often termed the Third World, of which African countries are also a part. Dependency theory's theoretical assertions, interpreted as an explanatory theoretical tool in trying to show the historical inequalities, and asymmetry in trade and economic relations both within the domestic and international context, assume relevance and fit the African predicament.

Although the context may vary from country to country and continent to continent, the theoretical viability and explanatory power of Dependency makes it universally relevant, and more than an attempt to explain underdevelopment within the confines of Latin American countries only. For, just as Latin American countries do not relate equally with regard to economic, trade and policy relations with North American states, so too is the relationship between African countries in relation to their advanced Northern countries.

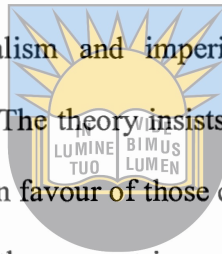
As has already been outlined that Dependency theory was conceived within the Periphery (Latin America), in relation to Africa. Dependency theory contends, among other things, that African progress has been and continues to be impeded by forces internationally bent on the ongoing exploitation of the continent and its resources (Chazan et al, 1992: 17). These primarily capitalist forces, Chazan notes, could only be held at bay if the global system underwent fundamental change that would alter the structural relations between the Third World and the industrialized world (Chazan et al, 1992: 17).

However, there is less indication with regard to altering the international economic rules and attitudes for the benefit of Third World countries. It is also highly inconceivable of any true development being advanced by developed countries as their status is likely to be compromised. It would appear that, as much as the Third World should take initiative, such initiative should be balanced and supplemented with a change of attitude and willingness from the Core countries. In this sense, theory and practice should merge and propel development.

2.2.6 PARTIAL REFUTATION OF DEPENDENCY THEORY AS A THEORETICAL MERIT FOR DEVELOPMENT AND UNDERDEVELOPMENT

Ironically, both modernization theory and Dependency have been conceived beyond the African continent. They, however, represent a plausible theoretical exposition in trying to understand developmental trends, or lack thereof, within the African continent.

The theory seeks to achieve this by its emphasis on the relevance and significance of historical legacies, such as colonialism and imperialism, in trying to understand underdevelopment and development. The theory insists that the current configuration of the international economy is skewed in favour of those countries already developed at the expense of those less developed. For these countries such a configuration constrains and determines the developmental options available to underdeveloped countries.

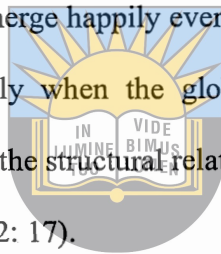


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Dependency proponents further posit that dependent countries, to some extent, are unable to exert substantial influence over the basic decisions affecting their national economies; the issue of what to produce, how to produce, and for whom to produce are all shaped directly or indirectly by international structural processes (Kaufman, 1975: 304).

For Perez, dependency theory arguments are derived from a number of central assumptions, loosely similar, if not equally weighted, all of which share with Marxism the central proposition that economic relationships are the principal determinants of political, social, and cultural forms (Perez, 1990: 135).

For modernization the process of transition towards modernity should be guided by among other things, scientific logic, and the demonstration effect (which is the emulation of the trend set out by modern societies for those less developed). Dependency theory disputes this by alleging that such transformation towards development by African countries continues to be impeded by forces internationally bent on the ongoing exploitation of the continent and its resources. If such a transition is conceivable, Third world African countries would not emerge happily ever after. For the Dependency model such a transition is conceivable only when the global economic system undergoes fundamental changes that would alter the structural relations between the Third world and the industrialized world (Chazan, 1992: 17).

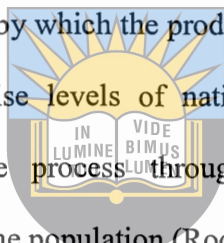


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Dependency theory, as it applies to Tropical Africa, observes that the patterns of concentration hinge on trade, product and economic assistance (Macgowan and Smith, 1978:198). The latter is advanced by the modern developed countries in the form of the World Bank and International Monetary Fund under Structural adjustment programmes. This is well contested by Dependencia model regards such programmes as advanced by an imperialist agenda and premised on asymmetrical grounds, while continuing to further impoverish the recipient African countries. For Dependency theories this is demonstrated by the stringent, often repressive, conditionalities entailed by such programmes.

Such programmes, for the Dependencia model, are superimposed from top to bottom, as non-negotiable, and without considering whether they impede development, contrary to

what proponents would have us believe. For the Dependency model, therefore, political independence should be accompanied by economic independence for any meaningful development to occur. From the Dependency theory perspective, even if there might be economic improvement as a result of Structural adjustment programmes, as demonstrated in the Ghanaian case, such improvement in economic growth does not translate to economic development. In this context, a clear distinction between economic growth and economic development is crucial if confusion is to be avoided. Rodee et al define economic growth as a steady process by which the productive capacity of the economy is increased over time in order to raise levels of national output and income, while economic development denotes the process through which economic growth is distributed to benefit the majority of the population (Rodee et al, 1985:235).



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Although, in light of the dependency theory, one is bound to concede that there are indeed some plausible explanations regarding the underlying causes of underdevelopment, however, purely assigning underdevelopment to unequal, exploitative grounds does not in itself provide justification for the persistent state of underdevelopment within Third world African countries. To purely assign the causes of underdevelopment to colonialism and imperialism negates post-independence economic and political developments within the African countries; this includes, among other matters, bilateral and multilateral economic relationships forged with advanced capitalist countries for economic development. Such economic relationships include financial assistance. The pertinent question then appears to be: how efficiently has such assistance

been utilized? Does the Third world African state have the administrative capacity to implement such programmes?

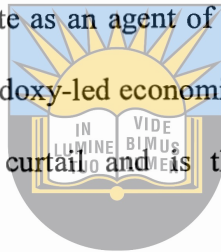
Such questions point to internal factors as opposed to the external factors, which dependency posits, for the successful implementation of policy reforms.

This being noted, it does not exonerate the responsibilities that the World Bank and IMF have, not only as providers of financial assistance, but also as policy makers. In essence, economic assistance in the form of monetary loans from the World Bank represents a dimension of autonomy in spending the amount with the recipient government. Efficiency in priority spending of such assistance does not rest with the Bank or with the IMF. This brings to the fore structural issues such as state capacity, how well developed such a state is in terms of its bureaucratic institutions of law and order, as well as accountability and monitoring.

In essence, dependency theory rests on a number of central propositions; the most salient being the asymmetrical economic relationship the theory argues has its history on colonialism and imperialism. While this holds true, it does not help us explain the continued underdeveloped state of affairs within the periphery. By its insistence on historical legacies, such as colonialism and imperialism, dependency theory assumes an externalist view. By so doing it negates the internal factors that play a crucial role in policy conception and implementation such as the role of the state. By assuming such a position, dependency theory is guilty of equivocation, even if its insistence on historical

legacies is granted because the theory still overlooks the crucial player in development: the state.

While dependency theory advances illuminating propositions in trying to grapple with underdevelopment within the Third world, its argument assumes an external view. While this is crucial, internal factors such as the state, bureaucracy and leadership cannot be overlooked. Development policy reforms have to be planned, executed and reviewed by the state; the buck stops with the state as an agent of development. Moreover, it is this developmental agent which the Orthodoxy-led economic development, in the form of the World Bank and IMF, sought to curtail and is thought to drive the process of development.



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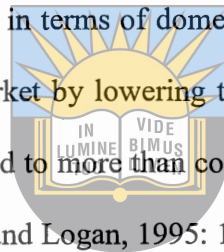
2.3 LITERATURE REVIEW

The question of whether the international political economy obstructs Africa's economic development is a profound one which should be addressed as such. Africa's economic ills coupled with the developmental gap which existed since independence needed some kind of economic miracle to remedy the economic situation. The introduction of Structural adjustment programmes to most African states was a clear indication of a continent in dire need of positive change spin-offs.

As the adoption of Structural adjustment programmes required some fundamental structural changes and given that they are premised on liberal economic orthodoxy which

was a new economic growth strategy and alien to African traditional forms clearly indicated the sheer political and economic challenge faced by the client states. The preconditions of Structural Adjustment Programmes is that countries devalue their currencies, and accept the introduction of reforms in the agricultural sector and the privatization of state owned enterprises, among other things.

The proponents of devaluation expect it to stimulate the expansion and diversification of exports by raising commodity prices, in terms of domestic currency, and to expand their market share in the international market by lowering their prices. The expansion of the volume of exports is, in turn, expected to more than compensate for the decline in prices and to raise export earnings (Kidane and Logan, 1995: 107).



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Clearly this posed a major challenge to the interventionist state of Africa considering that African economies lacked the capacity to diversify. The relevance of devaluation to African countries is contentious given the fact that it is underpinned by market forces.

Again Kidane and Logan note that devaluation is qualified by a number of conditions among which are the level of competition including the responses of competitors to a specific country's devaluation, and export restrictions such as quotas that a country faces (Kidane and Logan, 1995: 107).

The agricultural sector forms the backbone of industry development because it constitutes one of the employment providers, especially to the rural poor. Agricultural reform means, among other things, the realignment of the development blue-print from

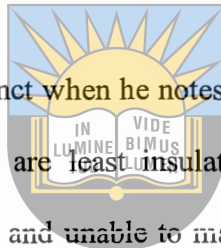
the urban-biased and industry-anchored mode to a rural based and agriculturally driven strategy that would necessitate the revision of investment problems. This was in sharp contrast to the interventionist trend followed by most African states as large activities of agriculture are based in rural areas, with minimum educational literacy.

This resulted in what Bates called 'Urban bias', which is the result of state policies that exploit production and revenues raised in the rural sector in order to use these to subsidize government and economic activities in urban regions (Thompson, 2004: 198).

The last condition is the privatization of state owned enterprises. This entails, among other things that the state had to relinquish and sell ownership of some of its enterprises to the private sector. This is expected to provide greater accountability and efficiency, and raise the revenue of the state.

The economic logic behind the privatization of state enterprises meant that state intervention will be curtailed in the running of enterprises. Given the economic and political implications of privatization, African leaders were less eager to privatize. Cornia and Helleiner maintain that privatization is supposed to free both domestic and foreign private capital from the tentacles of corrupt, inefficient bureaucracies so that it can be productively engaged in those activities that have thus far been monopolized by the state (Cornia and Helliener, 1994: 193).

Having noted this, it needs to be conceded that one of the crucial underlying impediments to policy reform in Africa has been its leadership. The prevailing tendency of post-colonial leaders to cling to power and to personalize state institutions poses a threat to any kind of policy reform. This was certainly the case in Kenya, given the fact that both Kenyatta and Moi held office for a considerable period of time, fifteen years in Kenyatta's case and twenty four years in Moi's, it was going to be an onerous task to embrace Structural adjustment programmes.



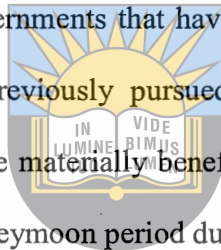
Ravenhill makes the point more succinct when he notes that regimes which have been in office for a long period and which are least insulated from networks of clientelist relations have proven to be unwilling and unable to make a radical break with the past. Included in this category would be Moi's Kenya, Kaunda's Zambia, Houphouet-Boigny's Cote d'Ivoire, and Mabutu's Zaire (Ravenhill, 1993: 46). Kenya, under president Moi, received Structural adjustment programmes more half-heartedly than Ghana did under Rawlings. One of the underlying features of Kenya's reluctance to fully embrace Structural adjustment, as Herbst notes, is that under the political systems established after independence, governments were able to provide a variety of resources, jobs, low prices of basic foods to favoured constituencies, and the point of Structural Adjustment is to eliminate government ability to offer these kinds of advantages to their constituencies. (Herbst, 1990: 952)

Herbst's contention advances a compelling reason and justification for the reluctance of some African countries, including Kenya, in embracing Structural adjustment

programmes. The adoption of these programs by the client countries required fundamental structural changes in that the entrenched, clandestine government network of patron-client was going to be completely altered, which would not be within the interests of the ruling elite. It was a measure meant, at least for the elite, to disrupt their established patron-client relationship. In this sense, Structural adjustment programmes had a gloomy economic outlook.

Structural adjustment programmes, for Herbst, involve not only the switching of constituencies by African governments, which most African governments find difficult, but an entirely new mechanism through which leaders relate to their clients, (Herbst, 1990: 952). The interventionist African state was clearly incompatible with the logic of the market forces under Structural adjustment programmes. Having considered Kenya's case, in Ghana the situation was quite contrary to this, at least after Rawlings assumed power. In Ghana's case, it is extremely hard to conceive of Ghana embracing the Structural adjustment programmes given the fact that Nkrumah followed a Socialist path. After Nkrumah's overthrow, the former Gold Coast had known little political stability and leadership continuity. What made Rawlings's Provisional National Defence Council (PNDC) different is that somehow Rawlings managed to utilize the revolutionary ethos which made him ascend to power, and redirected it towards embracing the new cause of Structural adjustment programmes. Although Rawlings was a new convert of the new cause it nevertheless a paradoxical stance considering his insistence on Marxist teachings which he held at least until his conversion in the early 1980s.

Thomson attests to this when he notes that the PNDC introduced sweeping measures to liberalize Ghana's economy, and it portrays those reforms not as U-turns, but as a continuation of its revolution, (Thompson, 2004: 195). In answering the question of why Structural adjustment programs achieved this level of success in Ghana under Rawlings's, Ravenhill makes the observation that regimes that have acceded to power have proved to be more committed to reform; Rawlings in Ghana, Babangida in Nigeria, the Mwinyi government in Tanzania, and the military junta in Guinea. This is the case Ravenhill avers, mainly because governments that have assumed power have no vested interest in defending the policies previously pursued and probably have fewer key decision-makers and clients who have materially benefited from the policies previously pursued, in addition to enjoying a honeymoon period during which the population may be willing to accept tough measures (Ravenhill, 1993: 46).



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The dilemma faced with Ghana and Kenya was certainly not peculiar to most African countries; that of assuming a developmental strategy with either minimal or closely monitored and controlled foreign interference with former colonial rulers.

In trying to remedy the political situation after independence, Ghana and Kenya departed on a different growth path and pursued separate developmental strategies with regard to their economic policies. In the former Gold Coast, currently known as Ghana, independence from British rule was gained on 27 April 1957 under the leadership of Kwame Nkrumah. Soon after independence, Nkrumah maintained that the newly independent Ghana's economic reforms should progress along a Socialist path. His

advocacy of the Socialist path was grounded upon three guiding crucial principles according to which such progress was to be realized. The first one was the adoption of the anti-imperialist stance; the second was the adoption of Socialism and the third was the fight against neo-colonialist forces both within and beyond the continent (Nkrumah, 1964: 22). It is worth noting that Nkrumah's insistence upon the Socialist path represented, in his view, the only recipe for Africa's development.

Ironically, this developmental path adopted by Nkrumah was in sharp contrast to the former colonial British ruler, and it posed a challenge through which Nkrumah's government was to deal with the West. For, it should be remembered, complete economic independence was partially granted and that colonial ties were more pronounced in practice. As Hajor puts it, Ghana's colonial economy was designed to serve the interests of the world market, that it was an economy artificially imposed on the country, and Ghana's wealth flowed outwards and the nation was deprived of the resources necessary for modernization and development (Hajor, 1988: 73).

The above analysis provides an indication that Nkrumah was an unshakable socialist in orientation and any Ghanaian economic debut was going to have a socialist outlook. His insistence on socialist principles and thought was validation of such a stance.

It should be made clear at this point that this was going to characterize Ghana's developmental path, as long as Nkrumah held the political power levers, distinct from the path that was taken by Kenya. Nkrumah's policy is amplified in his foreign policy and alignment with the East Communist bloc, particularly the Soviet Union, as opposed to

Western capitalist countries. Hutchful echoes similar sentiments, when he notes that Nkrumah's government was pro-East, Pan Africanist and anti-West (Hutchful, 1979: 36).

Kenya gained its independence on 12 December 1963, six years later than Ghana, under the leadership of Jomo Kenyatta. It pursued a strategy that emphasized economic growth over equity and that built upon the institutions and policies inherited from the colonial era. These included emphasis on the private sector, expanded production of Kenya's two principal crops, coffee and tea and receptivity to foreign private investment (Barkan 1994: 5). This was neither a question of necessity nor choice; Kenya's reluctance to shy away from colonial ties to a considerable extent proved advantageous to its economic growth in comparison to the majority of the Sub-Saharan African states including Ghana. Hunt makes this assertion more succinctly when he notes that "unfettered capitalist development is a close approximation to the economic development path so far pursued by Kenya, which entails private and public sector accumulation in agriculture and industry, with constraints on the firm size imposed only by market forces not by state intervention" (Hunt, 1984: 3).

This growth path was further consolidated by the passing of the Foreign Investment Protection Act (FIPA) in 1964; a year after Kenya gained its independence. According to Leys, the passing of this Act assured that all foreign investor's assets would not be expropriated and that they could remit their capital and profits freely (Leys, 1975: 220). However, the Capitalist path was certainly not going to be a smooth ride. Kenya appears not to have been able to strike symmetry between economic nationalism on the one hand,

and dependency on foreign capital on the other. Foreign capital appears to have assumed precedence over economic nationalism, and in such a case the state bureaucracy was crucial in monitoring and implementation of policies.

With regard to Kenya's dependency on the West, Barkan observes that such accommodation is but an enlightened policy to further Kenya's developmental goals. Such foreign investment has contributed greatly to the expansion of the manufacturing sector and tourism. Barkan went on to note that there can be no doubt that Kenya's policies in this regard have, at least partially, achieved their intended results (Barkan, 1984: 30-31). The dominance of foreign capital meant, among other things, that Kenya was not in complete control of the economy and that foreign influence was uncontrollable.



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With regard to this, Leys observes that it is imperative to realize that the relationship between the private sector and the pattern of post-colonial independence development could not be understood in Kenyan terms, but was the outcome of international forces as they had operated over several generations, and continue to operate (Leys, 1975: 1). While both countries after independence adopted a one-party state with a prime minister as the head of state, they were both plunged into ethnic and tribal conflicts.

With regard to Ghana's economic problems, much of its economic ills have been underpinned by the economic strategy adopted by Nkrumah in 1961-66, and adjusted only slightly by the Acheampong regime in 1972-78. If Rawlings's new government was

to begin the new process of resuscitating Ghana's economy and improving the welfare of her people in the long term, it would have to take measures which go directly against the grain of the radical neo-Marxist thinking. This would include drastically devaluing the Cedi, working towards the general liberalization of the economy and dismantling most of the public sector (Jeffries, 1982: 308).

Fig-2.1 THE TIMELINE OF POLITICAL LEADERSHIP OF GHANA AND KENYA.

<u>Ghana- Leader</u>	<u>Year</u>	<u>Kenya</u>	<u>Year</u>
Kwame Nkrumah	1957	Jomo Kenyatta	1963
General Ankra (NLC)	1966	Daniel Arap Moi	1978
Dr Busia	1969	Mwai Kibaki (current)	2002
Brigadier Afrifa	1969		
Nii Ama Ollenu	1970		
Edward Akufo-Addo	1970		
Ignatius Kutu Acheampong	1972		
Lieutenant Fred Akuffo	1975		
Flight Lieutenant Rawlings	1979		
Dr Hilla Limann	1979- 1981		
Rawlings- made president	1993		
John Agyekum Kufour	2000- 2008		
John Atta Mills (current)	2009		

Note that the 1st Republic was during Nkrumah's rule after the country gain independence, the 2nd was during Dr Busia's rule, and the 3rd Republic was during Dr Limann's rule.

It has to be remembered that by the time at which Rawlings took power in 1979, there were a total of five military coups since Ghana's independence in 1957. The period beginning in 1966, which marked Nkrumah's overthrow, also marked the beginning of

the country's association with International Financial Institutions. As Callaghy notes, the National Liberation Council switched decision making from the political side, where it had been under Nkrumah's kingdom, to the technocratic side supported by IMF and World Bank advice (Callaghy, 1990: 273-274).

Equally important to note is that as much as the Rawlings government took considerable measures against revolutionary tendencies, it was keen to tread along the capitalist market path. Boadi echoes similar sentiments when he notes that the exercise of public office by the Provisional National Defence Council (PNDC) government leaders appear to have been far more serious-minded and resistant to corruption than that of any preceding Ghanaian government since independence (Boadi, 1993: 290). Boadi's observation lends credence to and further justifies why Ghana's reforms were more successful in comparative terms than, for example, Kenya's reforms.

One of the crucial and underlying dynamics regarding the developmental variation between the two newly independent states was political stability, While Kenya experienced fairly stable political governance, Ghana was plunged into successive military coups spanning from the period of the overthrow of Nkrumah in 1966, by the military led coup of the National Liberation Council (NLC). From the period 1966 to 1979, the year in which flight Lieutenant Jerry Rawlings took over, Ghana had experienced a total of twelve military coups.

This may have considerable implications for overall policy implementation for both countries. This was due to the fact that while Ghana, after independence, followed a pro-socialist policy which was anti-West, Kenya chose a capitalist developmental policy approach. The consequences of political leadership, and the political stance assumed by these two countries brought to bear the resilience and overall developmental capacity of each country.

This was soon to be reflected and weigh heavily on each of the two countries, as the IMF and World Bank were more reluctant to engage with Ghana and viewed its Socialist stance with scepticism, which was the case with Kenya. However, there was soon to be a radical policy shift and a complete alteration of policy regarding to Ghana's relationship with the Eastern bloc following Nkrumah's ousting from power. Soon after the coup, observes Boadi, there was rapid deterioration in relations with the East, the Soviet Embassy was drastically pruned, Soviet sponsored projects were abandoned, and Soviet technical experts and diplomats were expelled (Boadi, 1993: 144).

It was the period 1966 to 1981 which saw a complete change of heart and strained relationships with the Eastern bloc. It was also during this period that there was a popular sentiment of embracing the Western cause of development which, in principle, was more compatible with the IMF and World Bank ethos. Although it needs to be conceded that Ghana assumed conversion much later than Kenya, and that such a conversion and partial loss of sovereignty to the West was viewed with scepticism by government critics and

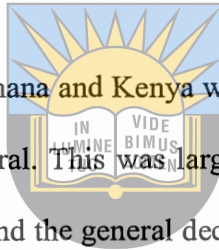
dissenters, Ghana entered the first phase of Economic Reform Programme (ERP) with the IMF and World Bank as the main directives.

This has, according to Boadi, implied a degree of control over economic policies in Ghana by the IMF and World Bank as well as the pervasive influence of assorted consultants, advisers and experts (Boadi, 1993: 41). Rawlings's submission to the IMF/World Bank initiated growth through Structural adjustment, and ultimately the silencing of the voices of dissent ushered a new era in Ghanaian politics, one which was to receive full support from the political opposition within the government, but an era which was to define and shape Ghana's political and economic development in its current form.



From the onset of independence onwards, Kenya experienced a stable political climate and transition of political leadership which would prove a valuable economic tool as far as international investment is concerned. This was achieved through Kenya's economic sovereignty, and the absence of economic sovereignty meant the adoption of IMF/World Bank conditionality. The political leadership of both countries had an important role to play in the implementation of policies. Nkrumah rejected the IMF and World Bank economic proposals as early as 1965, nine years after independence. As Hutchful states: the Nkrumah government was not prepared to subject its policies to the financial discipline that was recommended by the IMF and World Bank (Hutchful, 1987: 14). It is Rawlings's tenure of office that is of crucial importance, not only because he became the longest serving ruler of Ghana, from 1981 to 2001, but also because it was during his tenure that the IMF and World Bank policies assumed prominence.

The preconditions adopted by the International Financial Institutions, specifically the World Bank and IMF, for loan disbursement in the Developing countries is, among others; the devaluation of currency, privatization, restructuring of public and private sector, Agricultural reform. The irony is that developed countries like the United States assume a protectionist approach when it comes to their economic relations with other countries.



The economic performance of both Ghana and Kenya was no different compared to other African countries' economies in general. This was largely due to the exogenous factors such as the oil shock of 1973- 1980, and the general decline in primary commodities, and the incapacity of African countries to increase their export volumes and the general lack, or incapacity, of African economies to diversify their economies.

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The striking feature of African economies, notes Geda, is the dominance of the external sector, and consequently, he maintained, that according to the United Nations Economic Commission for Africa's (ECA) view point that, "perceiving African problems in terms of internal and external balance problems and seeking solutions within that framework (most notably through implementation of Structural adjustment programmes) implies not only the wrong diagnosis but also the wrong treatment" (Geda, 2001: 3). When one considers and acknowledges the fact that Structural adjustment programmes were not initiated uniquely and according to a country's capacity and performance, but in light of

this, their initiation was not going to make African countries' economic performance any less onerous.

This was certainly the case with regard to Kenya where there was no political will to implement the Structural adjustment programmes. In relation to this, Kenya has been classified as a bad performer by the World Bank. According to Loftchie the political will to implement Structural adjustment programmes was sometimes jeopardized because of disagreements over matters such as the extent or timing of currency devaluation, which were often cancelled because the Kenyan government failed to comply (Lofchie, 1993: 416). The growth rate of agriculture, manufacturing and industry, for the period of 1980-90, have all declined substantially from the post independence period. According to Loftchie, the agricultural growth rate fell by 34%, industry by 60% and manufacturing by 53%, (Loftchie, 1993: 436). Although such a decline cannot be entirely attributable to Structural adjustment, the combined factors of political will coupled with leadership and state capacity often played a crucial role in government's overall performance in implementing Structural adjustment programmes.

Unlike Kenya, Ghana's experience with IMF and World Bank conditionalities imposed an onerous burden to the state bureaucracy, considering the socialist stance assumed by Nkrumah after independence. The adoption of the Bank and IMF led policies by Ghana meant, among other things, that the state was going to be rolled back. Cornia and Heller describe this as 'retreat of the state', (Cornia and Heller, 1994: 196). This posed a formidable challenge due to the previous stance assumed by Nkrumah.

In Ghana, as was the case in Kenya, the popular prescription often worked contrary to the expectation. In relation to this, Hutchful notes that instead of increasing, exports decreased, and import commodities increased. The considerable volume of exports by Ghana include cocoa, coffee, diamond and gold were by value sold in well organized international markets with prices posted in foreign exchange rather than Cedis (Hutchful, 1987: 26).



With regard to privatization, Ghana's performance was much more impressive considering that its adoption of the Economic Recovery Program, under IMF and World Bank guidance, was well received and implemented. Under the PNDC government the state made fundamental changes aimed at improving the country's economic decline. According to Mlawa and Green, the key elements of the ERP included the progressive shift away from direct controls and intervention towards greater reliance on market forces, and to undertake institutional reforms to enhance the efficiency of the economy and encourage the expansion of private savings and investment (Mlawa and Green, 1998: 350).

In comparable terms, therefore, Ghana proved to be more politically willing to adopt a path towards economic recovery. This was more pronounced by the ethos of the Rawlings regime than it was in the case of Kenya. Chazan et al re-emphasise this by noting that the country that is often pointed to as having successfully implemented a multi-sector adjustment program for a sustained period is Ghana. Despite some negative

spin-offs, during the period of 1983-89 Ghana's domestic production grew 6 percent per year from 1984-89, a rate which bought a per capita increase of over 3 percent each year (Chazan et al, 1992: 313).

While Ghana was politically unstable during the post independence period, Kenya was politically stable. Jomo Kenyatta's leadership spanning from December 1964 to 22nd August 1978, a period of fourteen years, was finally succeeded by Daniel Arap Moi. Moi, a former minister of education and home affairs was renowned for his ending of one-party rule, and introducing a multiparty system in 1991.



He finally announced his retirement after he was re-elected as president in the multi-party general elections in 1992. In 2002 he stepped down and was replaced by Mwai Kibaki, his former vice president, who is the current head of state.

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TABLE.2.2

GHANA STATISTICAL PROFILE KENYA STATISTICAL PROFILE.

Capital: Accra	Capital: Nairobi
Area: 92,100sq.miles	Area: 224, 961sq.miles
Population Size: 16,900,000	Population Size: 27,000,000
Density: 183 people	Density: 120 people
Growth Rate: 3,0%	Growth Rate: 3,3%
GDP: \$6,884,000,000	GDP: 6,884,000,000
Per Capita Income: \$450	Per Capita Income: \$330
Foreign Debt: \$3,131,000,000	Foreign Debt: \$5,214,000,000
Life Expectancy: 45(1960),55 (1992)	Life Expectancy: 46(1960), 59 (1992)
Ethnic Groups: Contains over 50 groups The major divide is between Gur speakers In the North (principally Guan and Moshi Are also significant.	Kikuyu, Meru, Embu, Kamba, (39%); Lou (14%); Luhya and Kissi (21%), Masai, Samburu, Turkana, Kalenjin (11%), Somali and Oromo (3%); Mijikenda, Pokomo,Taita, Taveta (6%)
Official Language: English	Swahili and English

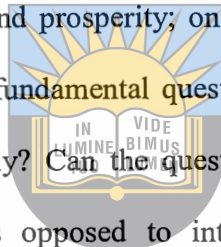
Source: Bever, Edward. 1996. *AFRICA: INTERNATIONAL POLITICS SERIES*, (pp-113).

Sandbrook maintains that capitalism in Sub-Saharan Africa in comparative Third World terms has not been resilient and successful since the 1960s.

The overriding problems, in this respect, are fundamental constraints. For Sandbrook, the state has played a central role in capitalist development, indirectly through the generation of a conducive framework of political order and rational law, and administration as well as directly through the provision of adequate infrastructure. Yet, for him, African states

are not in any real sense capitalist states. The peculiar condition of post-colonial Africa impels an adaptation of colonial-inspired political structures and processes in a patrimonial or neo-patrimonial direction. This decay, which is manifest in political instability, systemic corruption and maladministration, introduces irrationalities to the economic life (Sandbrook, 1985:12).

The fruits of political independence from colonial rule have not yielded the much anticipated economic independence and prosperity; on the contrary, more fundamental problems abound. The pertinent and fundamental question is why has global economic stability affected Africa so profoundly? Can the question of Africa's development be attributed to external constraints as opposed to internal factors? As Leftwich so eloquently puts it, "the central and dominant variable determining not only the conception and shape of development, but developmental success or failure in all human societies, is their politics" (Leftwich, 1998: 96).

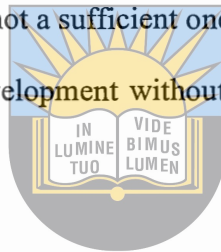


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In general terms, development, according to Nel and McGowan, is a process where all societies experience a way of obtaining a 'better life'. For them, development is propelled by three central objectives; increase the availability and widen the distribution of basic life-sustaining goods, raise the standard of living to include not only higher incomes but also more jobs, better education, and greater attention to cultural and humanistic values; in addition to expanding the scope of economic and social choices. More important for

them is the concept of sustainable development that permits future generations to live as well as current generations (Nel and McGowan, 1999: 6).

Leftwich's assessment adds value to the proposition that the mere adoption of democratic principles by a given state is not a guarantee of development and progress. This emphasizes the fact that the political dynamics of a given country assumes primacy over human affairs. It is tempting to argue that the adoption of democratic principles and practices is a necessary condition but not a sufficient one. For, there are countries like the 'Asian Tigers' that have assumed development without – at least initially – democratic institutions.



One of the central and related themes in development is the relationship between economic and political sovereignty. Although many African countries achieved independence from their colonial rulers, such independence was purely political in nature. Economic independence was never granted by colonial rulers. Ali Mazrui refuted Nkrumah's adage that 'Seek ye first the political kingdom and all things shall be added unto you'. Mazrui claimed that the underlying statement in such a claim was a philosophy about the primacy of politics in human affairs, a radically different philosophy from economic determinism. For Mazrui then, had Nkrumah been a thorough going Marxist, he would have been tempted to proclaim, "seek ye first the economic kingdom and all else will be added unto it" (Mazrui and Wondji, 1993: 105). Marxists emphasize the primacy of economics over politics. The view that the West has caused the economic backwardness of the underdeveloped countries has been severely refuted by

Bauer who maintains that the difference in materialist prosperity and progress between developed and underdeveloped countries has nothing to do with colonialism or with a system of international social stratification. For Bauer, the greater prosperity of societies of the developed countries represents the presence of more productive resources, especially human resources (Bauer, 1976: 161).

To arrogate Africa's persistent underdevelopment purely on Western economic relations may negate the internal political dynamics. Such dynamics share some of the blame as Weber's explication suggests. Having said this, one of the underlying variables that impact on development is the nature of the state. Questions of how developed, legitimate and strong a particular state is have an overbearing determination on the materialist progress of that society. By contrast, African states have been defined as weak states and, as Leftwich notes, they are politically constructed, politically maintained and politically transformed; this would include their development (Leftwich, 2000: 97).

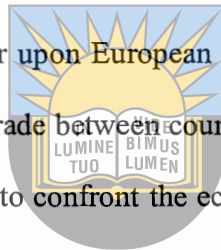
Leftwich emphasizes the imperative of the capacity of the state by maintaining that weak states have no capability to penetrate society, regulate social relationships, extract resources and expropriate or use resources in determined ways (Leftwich, 2000: 4). Drawing from the above argument, it appears plausible to propose that, apart from the incapacity of the African state, most (if not all) African states inherited forms of colonial systems which were not only peculiar and alien to the indigenous African systems, but were also incompatible with African forms of rule, as was the case in Ghana and Kenya. However, as shown by Ghana and Kenya, and as will be shown in Chapter 6, that

leadership variable forms one of the crucial aspects of defining the degree of success of policy implementation. Prudent policies could be poorly implemented, and aid in itself is not a sufficient variable for the successful implementation of reform measures.

CHAPTER THREE

AN APPRAISAL OF THE INTERNATIONAL MONETARY FUND AND THE WORLD BANK STRUCTURAL ADJUSTMENT PROGRAMMES

The impact of the Second World War upon European countries and the world had far-reaching consequences on economic trade between countries. This, in turn, prompted the Allied forces to devise new strategies to confront the economic and monetary challenges left by the war.



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As victors of the war they were prompted to rescue the war ravaged European countries, as they have pulled their respective country's military forces in unison, and with the same intended end. The logic was clear, just as they have cooperated their military forces to win the war, the same ethos would be applicable, the only difference being that of redirecting that same spirit towards reconstruction and development, and threading new political and economic terrain towards a re-developmental path.

The main task at hand was not a call for military strike or strategy against the enemy, but was an economic strategy. A strategy that, just as the scale and magnitude of the war has touched and affected the global community one way or the other with devastating

consequences, would touch and affect the entire global community. This was a kind of war which required new tactics and techniques, it was not a war fought in the military trenches, but was nonetheless fought and defended within bureaucratic confines (Onimode, 1989: 50).

In retrospect, the IMF and World Bank were conceived in 1944 in the United States of America at a conference held at Bretton Woods in New Hampshire. The destruction caused by the Second World War, not to mention the effects it had on the global economy required, some kind of intervention from the victors of the war. Peace in itself was not enough although it was necessary, it was not a guarantee of prosperity, and was certainly not a substitute for drastic economic measurements needed for the greater good of humanity. New institutions with refined vision to carry out the daunting task of redevelopment were needed. As Peet asserts, the new international economic cooperation would be premised on a world market, in which capital and goods might move freely regulated by global institutions operating in the general interests of greater stability and predictability (Peet, 2003: 27).

This new historical phase of configuration of the international political economy on comparative advantage terms would come to define the newly conceived International Financial Institutions. To fulfil this task, the International Bank for Reconstruction and Development (IBRD) popularly known as the World Bank, the IMF, and the World Trade Organization (WTO) were created. For the purpose and scope of this work, however, emphasis shall be placed on the first two institutions, the World Bank and the

IMF. From its inception, the World Bank has been dominated by the United States of America, and the United States hegemony over other member states has to do with it being the main source of funding for the Bank.

With regard to this, Adams notes that the Bank has always been under tight U.S. control, and such control was a consequence of not only of the prominent U.S. role in establishing and funding the Bank, the fact that the seat of the Bank is in Washington, and the United States has arrogated itself the right to appoint the President of the Bank (always a U.S. national) without consulting the Bank's other members (Adams, 1993: 31). This is done against the Bank's charter, which clearly states that the president of the Bank should be elected by the Executive Board.



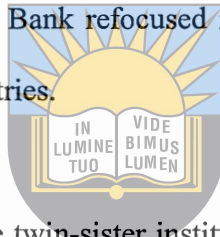
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The American hegemony and influence in the Bank has been firmly established even prior to its inception and assumption of duty. This meant that the direction of the Bank's policy making, its overall conduct and impact on other member states would be unevenly construed, plunged with antagonism in its dealings and functions. With regard to the United States dominance, Gros and Prokopovych note that the Bank presidents have been Americans, with votes based on economic size, and America has by far the largest economy in the world. The U.S. is the only country with votes exceeding 15 percent of total votes which is the threshold at which any policy or program can be blocked, thus making it the only country which has the power of veto (Gros and Prokopovych, 2005: 8).

3.1 THE PURPOSE, OPERATIONAL POLICY, AND COMPOSITION OF THE WORLD BANK

The International Bank for Reconstruction and Development was intended to, among other duties; provide loans to war torn European countries on a long term basis with the objective of reconstruction and redevelopment. However, emphasis was soon changed and redirected towards Third World underdeveloped countries. It is worth remembering that the provision of loans by the Bank did not represent outright grants for the receiving countries. This was the case after the Bank refocused its policy from reconstruction to development within Third World countries.



This sudden change of course of these twin-sister institutions, on the other hand did not mean change in their operational policies. The hegemony of the United States of America and Britain remained intact. This is clearly demonstrated by how the voting power of the top five founding member states is unevenly distributed among these member states.

Annesette asserts that 183 governments formally own the World Bank, and although registered as a United Nations specialized agency, its structure of control differs quit markedly from that of the United Nations. That instead of the judicial model of equality of member states, the Bank is constituted on the basis of \$1: one vote. The capital subscription determines the country's strength. As at April 2001, as shown in Fig.2 below, the United States controlled 16. 4% of the voting stock, Japan 7. 9%, Germany 4. 5%, U.K 4. 3%, France 4. 3% and by way of contrast, 42 Sub-Saharan African countries collectively controlled less than 5% of the voting power (Annesette,2004: 309).

At this juncture, it appears proper to reflect on how the Bank is constituted. The Bank's Article of Agreements included its 44 participating governments, and in 1945 an agreement was signed in Washington DC by 28 of the nations, and the following year in June 25 1946 the Bank began its operation (IDA, 1971: 1). With regard to this, Adams notes that, under its Charter, the Bank could only lend to governments or with government guarantees, and except in exceptional circumstances, only for specific projects, and normally only to finance the foreign exchange costs of such projects. The covering of expense payments for imported equipment, and technical services (Adams, 1993: 32), and (Shihata, 1991: 8)



FIG. 3.1

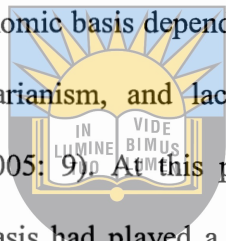
MAJOR SHARE HOLDERS OF WORLD BANK, PERCENT OF VOTING POWER (2001)	
United States	16.4%
United Kingdom	4.3%
Germany	4.5%
France	4.3%
Japan	7.9%
42 Sub-Saharan African countries combined	less than 5%

Source: Annisette M. The True Nature of the World Bank. Critical Perspective On Accounting p309 (2004)

The receiving countries, in order for them to receive loans from the Bank, they have to be a member of its twin sister institution the International Monetary Fund.

It has to be noted that during the post Second World War period, the Bank was preoccupied with the concept of reconstruction with the European countries as their point

of focus. However, with the initiation of the Marshal Plan, the Bank shifted its policy interests, contrary to the role it was established for. With regard to this shift of emphasis, Gros and Prokopovych observe that as opposed to the industrialized European countries, the Third World underdeveloped countries' private capital stock, physical infrastructure, political and economic institutions, and even human capital had to be built rather than merely repaired, a challenge made all the more difficult by the legacies of colonialism and imperialism especially in Sub-Saharan Africa, where there is little anchorage in society, artificial states, a narrow economic basis dependent on one or two cash crops for foreign exchange earnings, authoritarianism, and lack of indigenous administrative capacity (Gros and Prokopovych, 2005: 9). At this point, it seems plausible to ask whether such a shift of policy emphasis had played a fundamental role in curbing the underdeveloped plight of most Third World countries, especially in Sub-Saharan Africa.

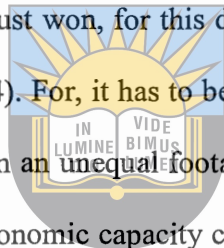


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Despite the shift of emphasis by the Bank in its operations from reconstruction to matters of development, and its lending policies towards the Third World countries of which Sub-Saharan Africa forms part, it has treated these countries roughly the same. For example, the same loan conditionality applies to every receiving country regardless of how underdeveloped a country's economy is. This kind of policy attitude has been well criticized by the receiving countries. However, the Bank's sudden obsession with development in the Third World, its concentration on poverty eradication, and raising the standard of living cannot be devalued, and questions have been raised as to whether the Bank's intervention has actually achieved its main objective of improving the

predicament of the poor with its twin sister the International Monetary Fund (Gros and Prokopovych, 2005: 10).

In relation to the role played by the World Bank policy towards Africa, Altvater et al argue that after independence of most African states, the Bank advised that the exportation of raw material for the world market be increased, yet in doing so, they ended up in a developmental blind alley which had serious consequences for the political, national sovereignty which they had just won, for this developmental path led them into the debt trap (Altvater et al, 1987: 164). For, it has to be remembered that Africa entered the international capitalist economy on an unequal footing compared to other developed Western countries. For this reason, economic capacity coupled with the lack of expertise left most African countries vulnerable to external shocks.



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With regard to the objectives of the Bretton Wood institutions Onimode maintains that, whereas the IMF and the World Bank were preoccupied with the reconstruction of Europe after the Second World War, they have since then concentrated on the Third World problems, and in both periods, their basic rules of operation remained the same and were dominated throughout by the United States of America and Western Europe with their shared capitalist ideology. Hence, the priority of these institutions has been to reconstruct and maintain the world capitalist system in which multinational corporations operate, invest and move capital across countries without hindrance from national governments. For this reason they treat each member country individually so as to exercise maximum power over them, and insist on free enterprise or market forces in

their conditionality (Onimode, 1989: 2). What is of crucial importance here is the operational framework and the policies of these institutions, why were they established and what was their sole mandate? For, it is upon pondering such questions that one will be able to grapple with their institutional dynamics, the ethos, and the economics that shape and direct them.

3.2 THE INTERNATIONAL MONETARY FUND (IMF)

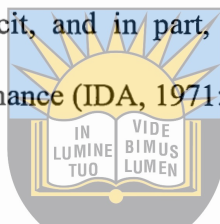
The International Monetary Fund, like its twin sister institution (World Bank), was formed with the same purpose, and by the same industrial capitalist powers.

The World Bank and the International Monetary Fund were conceived by 44 nations at the Bretton Wood's conference in 1944. While the IMF was initially established to promote steady economic growth and employment by offering unconditional loans to economies in crisis and in stabilization of exchange rates, on the other hand, the World Bank was created to fund the rebuilding of infrastructure in European nations ravaged by Second World War.

However, in the 1950s the Bank turned its attention away from Europe to the Third World ([www.globalissues.org/TradeRELATED / SAP. asp](http://www.globalissues.org/TradeRELATED/SAP.asp)). Whatever their true reasons for existence might be, one cannot deny their financial power, might and influence on policy formulation and implementation especially on the Third World countries where its financial disbursements are unparalleled and continue to be on the increase. It is this might, financial power, which compels and arouses interest regarding the future direction

of development of the countries with which it purports to fight poverty, and with the same token raise the standards of living of poor Third World countries in the Periphery.

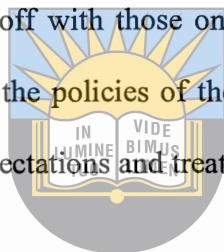
While the World Bank was intended to provide long term financial loans to the Part-2 Third World countries, the IMF was to provide such loans on a short term basis, and to correct the balance of payment difficulties experienced by its member countries. In principle, the role of the International Monetary Fund is to assist countries in devising appropriate balance of payment deficit, and in part, this will involve help with the provision of accompanying external finance (IDA, 1971: 3).



The IMF's articles of agreements, as established at Bretton Woods in 1944 with its twin sister institution (World Bank), require it to maintain and restore the economic stability of its member countries. This is crucial to note as both the IMF and the World Bank provide financial assistance only to those countries that are members of both institutions, and as a consequence pay subscription fees as imposed by the Fund Articles of Agreements. As George and Sabelli have it that, when a country joins the Bank, it must first become a member of the International Monetary Fund to qualify (Sabelli and George, 1994:14).

Stieglitz's experience in the World Bank and International Monetary Fund prompts him to make the following observation: neither economics nor politics dominated the formulation of policy in international arena. That decision is made on the basis of what seemed a curious blend of ideology and bad economics. As a result, when crisis hit, the IMF prescribe outmoded, inappropriate economic prescriptions without considering the

effects they would have on the people in the countries told to follow these policies. Stieglitz went far to note that problems facing developing countries are difficult, and the IMF is often called upon in the worst of situations, where the country is facing crisis. But its remedies failed as often, or even more often than they worked. IMF structural adjustment policies, the policies designed to help a country adjust to crisis as well as more persistent imbalance led to hunger and riots in many countries, and whenever results were not dire, even when they managed some growth for a while, the benefits went disproportionately to the better off with those on the bottom facing even greater poverty (Stieglitz, 2003: xiv). Just as the policies of these two financial institutions are relatively the same, their attitudes, expectations and treatment of the Third World are also the same.



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The combination of the capacity to implement the IMF/World Bank policies on African economies on the one hand, and the nature and relevancy of such policies on African economies led, in many instances, on undesirable outcomes. Loxley and Sedan note that the Bank's analysis fails to grasp the real problems of African development, its ideological prejudices lead it down the dangerous path of selecting and even manipulating the evidence to support conclusions it wishes to reach, a path which, ultimately, is a cul-de-sac incapable of informing and explaining the real dynamics of African development (Loxley and Sedan, 1994: 487).

The question that lingers and requires some great consideration at this point is why the Bank and the IMF continue to impose their policies blindly on client-states? Equal

representation and broader consultation of the client-states on policy formulation is given less consideration, if any at all. It could further be asserted that in virtually all the years of existence of the Bretton Woods institutions there has not been a fundamental policy change both in conception and in execution. Yet, the Bank and the Fund are fully aware that these two aspects (equality and broader consultation) create much of the problems for the client-states, especially for Third World countries.

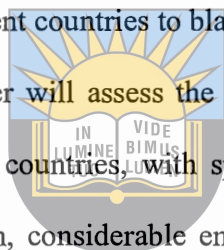
In trying to deal with the operational policy of the Bank and the IMF, Van de Laar notes that, allowance should be made for the fact that international agencies, like national agencies, are subjected to various types of pressure by national governments and private interests groups. In this sense, they may be structured in such a way that, they have to behave in ways that are abhorrent to them. To portray them as villains overlooks the fact that they can also be victims, undergo pressure as well as put pressure on others (Van de Laar, 1980: 6).

3.3 THE POLICY OF STRUCTURAL ADJUSTMENT IN AFRICA: A CASE STUDY OF GHANA AND KENYA

The plight suffered by Third World countries, including Sub-Saharan Africa, as a result of a combination of exogenous and endogenous factors, prompted the industrial capitalist powers to devise new economic interventions with the aim of rebuilding the affected Third World economies. The task was laid squarely on the shoulders of the Bretton Woods Institutions, the International Monetary Fund and the World Bank to initiate

policy reforms which will put the Third Underdeveloped World on a par with the Western industrialized countries. Whether these economic interventions conceived beyond the African continent and the Third World would achieve their intended objective is a different matter altogether. As studies have shown that despite these interventions, the Third World plight and their economies have achieved little success, and the damage done is more than the intended objective. If indeed little success has been attained, what impediments are responsible for such sluggish economic growth over a decade of economic reforms? Are African recipient countries to blame? If so why?

This section and the following chapter will assess the origins of Structural adjustment programmes in Third World African countries, with specific emphasis on Ghana and Kenya in comparative terms. As such, considerable emphasis will be placed on their nature, compatibility, and the political impact these programmes had on African economies.



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3.4 STRUCTURAL ADJUSTMENT PROGRAMMES AND THE ECONOMIC RECOVERY PROGRAMME (ERP) IN GHANA.

Ghana's persistent economic decline required concrete and pragmatic economic measures. The previous ruling regimes have not done any good with regard to economic recovery policy initiatives. The sheer realization and identification of the problem, which in this case was Ghana's economic decline, represented but one aspect of the problem, and taking concrete and pragmatic economic measures quit another.

As Frempong-Ansah note that, not only did Ghana's economic decline persist, but it worsened during the first 15 months of the PNDC regime (Frempong-Ansah, 1993: 43). The economic figures shown in Fig.3 indicate that GDP fell from 2.2 percent from 1969 to 1970, to -0.5 from 1970 to 1982. the level of investment also fell during the same period from -3.1 to -5.1, the levels of exports also fell drastically from 0.1 to -4.7 during the same period, the same also applies to import levels which fell from -1.5 to -4.8 during the period starting form 1969-70 to 1970 to 1982 (World Bank, 1984).

FIG- 3.2

GHANA, BASIC INDICATORS OF ECONOMIC PERFORMANCE 1960- 88.

AVERAGE GROWTH RATES



	1969-70	1970-82	1986-88
Gross domestic product	2.2	-0.5	5.4
Gross domestic investment	-3.1	-5.1	16.9
Exports	0.1	-4.7	4.7
Imports	-1.5	-4.8	10.5
Terms of trade	1.1	0.2	
Total agriculture (volume)	2.6	-0.2	1.9

Source: Adepaju, A. 1993. *The Impact of Structural Adjustment on the Population of Africa.* (Pp- 9).

Rawling's second coming for the majority of the Ghanaians was symbolic of economic antidote. Whether that economic resuscitation was Eastern or Western inspired, what was clear was that the economic situation in Ghana called for pragmatism even if that kind of pragmatism would be under the aegis of Orthodoxy terms, which proved to be the case.

3.4.1 THE FIRST PHASE OF THE ECONOMIC RECOVERY PROGRAMME

(1983- 1986)

The economic Recovery Programme was initiated as a kind of emergency plan with both short and long-term economic forecast. And, like any rescue plan, the ERP-1 had a multi-dimensional task. Firstly, it had as one of its targets the complete reversal and, to an extent, complete halt of the prevalent practice of 'Kalabule' which was slowly eating the moral social fibre of the Ghanaian economy. Secondly, it had to introduce temporary viable economic measures with a clear forecast of future economic prospects of the country. The latter target was informed and premised upon the IMF/World Bank policies of Structural adjustment programmes. As Rothchild asserts, "Rawling's adoption of the conventional view of economic reforms helped him attract the necessary external support to implement the program of Structural adjustment" (Rothchild, 1991: 6). This was crucial for any kind of assistance from the Eastern Bloc was rapidly deteriorating, and could not be relied upon.

By 1983, Rothchild notes, the Rawlings administration had concluded that there was no real alternative to Structural adjustment programmes (Rothchild, 1991: 8, see also Lewis, 1996: 109). Lewis acknowledges that the initiation of ERP was domestically influenced by Rawlings' small advisory circle led by finance minister Kwesi Botchwey who advocated a pragmatic course of reform and maintained that structural adjustment would reverse the traditional bias towards urban classes (Lewis, 1996:109). As extreme as the economic measure that the Rawlings regime undertook, at least considering the fact that

he had offended the very support-base upon which his regime relied, and which has played an indelible part in his usurpation of power. Such measures were a clear indication by Rawlings not to appease any political interests whichever side it might present itself, but that the Ghanaian interests assumed primacy over any political grouping.

The economic Recovery Programme was formally launched in 1983, and by its initiation meant that the country, and indeed the state machinery, would be entirely overhauled and redirected towards Orthodoxy-led development. It meant also that there would be a complete reversal, restructuring, and abandoning of past economic strategies in favour of market-led developmental strategy. Negotiated in close consultation with the International Monetary Fund and the World Bank, the ERP was divided into two phases each with a minimum of four year implementation span. The first phase of ERP-1 Asamoah avers, had, among its objectives the reversal of over a decade of precipitous decline in all economic sectors, improvement of the tarnished image of the country in international financial circles, rehabilitation of the ruined productive and social infrastructure, and mobilization of the necessary domestic and external resources to restore the living levels of the Ghanaians (Asamoah, 1996: 100- 101).

Kraus (1991: 126) emphasises the ERP-1 on the maintenance price incentives especially to exporters, which involves continuous devaluations, the idea that Ghana must adjust its economy entirely in terms of world price signals, and the reduction of the role of the state enterprises in production and marketing which forms part of the condition of the IMF Structural Adjustment Facility loans (Kraus 1991: 126). The basic idea behind

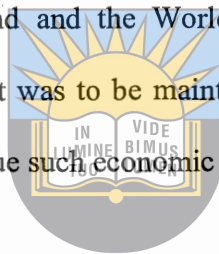
devaluation of the national currency was to increase the volume of imports and, at the same time, raise export volumes, thereby increasing Ghana's market share in global markets. With regard to privatization, the PNDC government had to conduct research regarding state owned enterprises that were not making profit and were burdensome to the government. Privatization was considered under the assumption that it would raise foreign investment for the country. Rothchild note that, thirty two state-owned enterprises were scheduled for privatization. And of the 185 state owned enterprises, only eighteen would be spared (Rothchild, 1991: 65).



It has to be remembered that as part of the conditional package reached with the IMF/World Bank, the Ghanaian currency (cedi) was to be devalued, meaning that the purchasing power of the cedi was to be curtailed against international markets. Such a move was followed against the risks associated with it. As Rindell notes, the effect of devaluation is to reduce the value of local currency in terms of imported items, including such basic necessities as fuel, medicine, food, and to make exported goods cheaper and thus increase their demand which had an adverse effect on non-tradable items (Rindell, 1992: 57). Chapter Five looks at both privatization and devaluation at length.

The realization of the ERP-1, to a greater extent, hinged on the Rawlings's government striking a precarious balance between internal political dynamics including the dissenters to such reforms on the one hand, and maintaining and keeping cooperation with the international financial institutions on the other. This was the case mainly because the newly assumed economic path was inimical to the urban middle class, previous state

beneficiaries, working class, and the unions which, paradoxically, Rawlings so desperately needed for political support. Nonetheless, such a path had to be threaded with absolute caution coupled with mixture of authoritarianism infused with charisma, and the inclination that the overall intention of such a path was indeed intended for the Ghanaian economic development in its entirety. While acknowledging the internal political dynamics, it needs to be noted that much of the success of the ERP depended on continued support in terms of the much needed capital; resources and monetary support from the International Monetary Fund and the World Bank, and other international bilateral donors. If this crucial support was to be maintained, the Rawlings government had to exhibit the political will to pursue such economic measures.

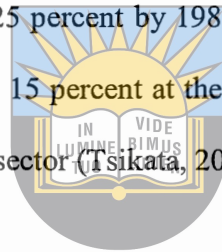


Ideological conversion to Orthodoxy economics was not enough; it was merely representative of a necessary condition, not a sufficient condition. True conversion needed caution, balancing, and fine-tuning between the government's willingness and adhering to the agreed cause on the one hand, and keeping the dissent in constant check. The latter was crucial, for, the continuity of policy implementation rested on the Rawlings government's ability to remain firmly at the helms of power.

3.4.2 THE SECOND PHASE OF THE ECONOMIC RECOVERY PROGRAMME; STRUCTURAL ADJUSTMENT PHASE (1986- 1991)

While the first phase of the Economic Recovery Program was to have as an interim measure the focus on economic stabilization as the Ghanaian economic decline has reached unprecedented levels.

The task of the second phase of the Economic Recovery Program which is also referred to as the Adjustment Phase was to redirect the Ghanaian economy towards specific growth and viable economic targets. The economic gains achieved during the first phase had to be built upon and consolidated. With regard to this, Tsikata identifies the following key objectives of the Structural adjustment phase; sustaining economic growth at between 5 and 5.5 percent per year over medium term, raising public investment from 10 percent of the national income to 25 percent by 1989 end, increase domestic savings from 7 percent at the end of ERP-1 to 15 percent at the end of the decade, improvement of resource management in the public sector (Tsikata, 2000: 74).



To achieve the outlined economic targets would require discipline on the part of the Rawlings government. It will also form part of the regime-test of its intended efforts to drastically curb the country's economic decline. Apart from these targets, the Economic Recovery Program -11 according to Frempong-Ansa focuses on short-term strategies which in this sense were aimed at monetary stabilization with an effort to restore macroeconomic balance (Frimpong-Ansa, 1992: 148).

The second phase of Structural adjustment was also termed the adjustment phase to reflect its emphasis on structural changes rather than reform. Donkor clearly enunciates this point when he notes that the Bank of Ghana, in particular, consistently referred to this stage as SAP-1, which reflects the emphasis of its managers on reform as opposed to

ERP-1 which, as previously indicated, was a stabilization programme (Donkor, 1997: 124).

It should be remembered that such a strategy meant drastic reduction of state expenditure. This meant that the overall total budget allocation was to be reduced in respect of fiscal discipline. Adhering to stringent tax collection methods and drastic devaluation of the country's national currency formed part of the overall strategy. The impact of the Economic Recovery Programme, it should be kept in mind, was an ongoing and sustained process seeking overall economic stability.



Adepoju on the other hand notes that the ERP objectives were among others, to restore incentives for food production, industrial raw material, and export commodities; increase the availability of consumer goods, increase the overall availability of foreign exchange in the country, lower the rate of inflation, and rehabilitation of the physical infrastructure (Adepoju, 1993: 11). Ghana, like many Sub-Saharan African countries, tended towards heavy economic dependency on imports with scarcity or lack of export diversification to supplement such economic shortcomings. While export-led growth assumes primacy in developmental economics, most Sub-Saharan countries, including Ghana, lack export commodity diversification. Anyemedu notes that three major studies on the effects of foreign trade regimes on the economic growth of developing countries more or less reach the same conclusion: economies with out-looking strategies have had better export performance and better economic growth than economies with inward-looking strategies (Anyemendu, 1991: 209).

3.5 THE SUCCESS OF THE ECONOMIC RECOVERY PROGRAMME

The question of whether the Economic Recovery Programme was a success is not as clear-cut as one might wish. With such an economic decline in Ghana's, the adoption of any kind of rescue plan would mean that, to a greater extent, the positive growth spin-offs would take some time to trickle-down to the Ghanaian people. With the kind of scepticism from the urban based support from Rawling's own PNDC, the success of the ERP would be nothing short of an economic miracle.



In trying to understand the success of the ERP, one needs to understand also that the ERP itself was initiated as an economic measure of last resort by the Rawlings Provisional National Defence Council government. It is perhaps this overriding, morally binding decision on the part of the PNDC government which prompted him (Rawlings) beyond any measure to heavily influence the receptivity, and implementation of the overall ERP.

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When one considers the fact that Rawlings had, by default or necessity, made enough political sacrifices to warrant his own demise (by his betrayal of his support base), he nonetheless had nothing to lose and everything to gain by adopting the Orthodoxy-led path of development.

When Rawlings staged his second coming by overthrowing the Third Republic under Dr. Limann, the Ghanaian economy was in a state of complete decline. The national currency had reached triple digits, the volume of the country's export commodities had drastically declined, its balance of payment was spiralling out of control, and the skilled and highly

literate work force had started to migrate for greener pastures. In essence, as a consequence, when one weighs the precarious economic situation the country was under, against the period through which Rawlings's government initiated the ERP, there appears to be compelling evidence to suggest that such measures had indeed stabilized and revived the country's declining economic situation. Although controversy still abounds as to whether the ERP and Structural adjustment programmes have achieved anything other than the stabilizing and reversal of Ghanaian economic decline. The economic gains cannot be ignored.



In light of the above, the Economic Recovery Programme brought about economic stability, and raised the level of confidence of the donor agencies for its continued and sustained implementation of the ERP. With regard to Ghana's economic performance under the ERP, Herbst notes that the Ghanaian economy grew at an average rate of approximately 5% to 6% between 1983 and 1991, and this was quite an achievement considering that the rest of the continent (excluding Nigeria) grew only by 2.3 percent a year between 1980 and 1987 (Herbst, 1993: 154). However, Herbst acknowledges the fact that growth statistics should be considered in context, that such increases and improvements only are an indication of where the economy had been in 1982 and that it will take many years of high economic growth just for the economy to return to 1957 levels (Herbst, 1993: 154).

When one considers and compares statistical data from the era of the country's decline, on the one hand, and the period after the introduction of the ERP was initiated, there is

overwhelming evidence showing reversal and improvement of the economic situation. Gyimah-Boadi echo similar sentiments with statistical backing when he notes that, under the ERP/ SAP there had been a significant reversal of Ghana's economic decline with the GDP increase in an annual average 5.4% from 1984 to 1990, government deficit was reduced from 47% of GDP in 1982 to 0.3% in 1987, and with the surplus averaging \$12 million in 1986- 90. With regard to commodity volume levels, cocoa production has gone up from 159, 565 metric tonnes in 1983 to 247, 470 metric tonnes in 1990, timber from 180, 000 cubic feet in 1984 to 485, 000 cubic feet in 1990, bauxite from 44, 169 metric tonnes in 1984 to 368, 639 metric tonnes in 1990, and manganese from 131, 344 metric tonnes in 1983 to 244, 710 in 1990, and capital export earnings have steadily increased since 1984 (\$566m, \$632m- 1985, \$749m 1986, \$820m-1987, \$843m- 1989, \$900m in 1990) (Gymah-Boadi, 1995: 220).



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Although such a statistical analysis seems to suggest that there has indeed been a significant economic improvement in terms of economic performance, it needs to be conceded that such economic improvement may not have assumed a trickle-down effect to where it matters the most; the majority of the Ghanaian people at large. This gives some credence to the fact that economic growth does not always equal to economic development. What may have been lost during years of economic decline and mismanagement may not easily be gained in the short term. The performance of structural adjustment Programmes in Ghana give an indication of a success story nonetheless.

3.6 KENYA AND STRUCTURAL ADJUSTMENT PROGRAMMES.

The Kenyan situation differs quite significantly from the Ghanaian. First and foremost, Kenya did not share the African Socialist agenda like other post-colonial African countries such as Nkrumah's Ghana and Nyerere's Tanzania. The capitalist accumulation strategy adopted by the country's former colonizers was not discarded, but was carried over to the post-colonial dispensation. As an alternative, if this be granted, its founding father, Jomo Kenyatta opted for the continuation of the capitalist accumulation strategy with a mixture of policy reforms aimed at redistribution. As a result of such a choice, Kenya has experienced remarkably fair economic growth in comparative terms with other Sub-Saharan African countries. In fact, Kenya's positive trend in economic growth was comparable to emerging industrialized European states (Leys, 1975:20).



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FIG 3.3 KENYA'S ECONOMIC PERFORMANCE

Per Capita Annual Growth.	Agricultural Growth.		Industrial Growth.		Manufacturing Growth.	
	1965-80	1980-90	1965-80	1980-90	1965-80	1980-90
1.9	5.0	3.3	9.7	3.9	10.5	4.9

Source: Callaghy, TM, and Ravenhill, J. 1993. *Hemmed In: Responses To Africa's Economic Decline*, (pp-400).

FIG 3.4 AVERAGE ANNUAL RATES OF REAL ECONOMIC GROWTH

	1965- 1980	1981-1985	1986-1990	1991-1992
Gross Domestic Product	6.8	3.2	4.9	1.3
Agriculture	5.0	3.0	4.1	-2.7
Manufacturing	10.5	4.1	5.7	2.5
Population Growth	3.7	3.6	3.5	3.3
GDP per Capita	3.1	-0.4	1.4	-2.0

Source: Barkan, J.D. 1994. *Beyond Capitalism vs. Socialism in Tanzania and Kenya*, (Pp-22).

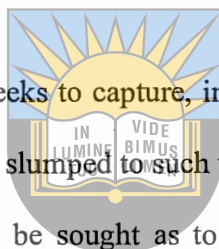
Despite such an impressive economic performance, the draw-back of the government was, as already mentioned, its inability to equitably distribute the country's resources within its population. This occurred amid the country's ever growing population at 3.7 during 1965 to 1980 as shown in Fig.5 above, which put strain on the economy. It meant that the rate of population growth and the rate of economic growth were not commensurate.

The economic trajectories beyond the government's control coupled with regime change from Kenyatta to Daniel Arap Moi led to persistent economic decline during the late 1970s. While president Kenyatta had to strike a balance between economic development, and thus make sure that the country continued its impressive economic growth, on the one hand, and political stability on the other, striking such a balance proved to rest on shaky ground. This was validated by the negative growth trends that the country experienced which forms the subject of the following discussion. The manifestation of such a negative economic trend required new forms of intervention both within the country and abroad, it required new policy formulation to be able to adapt within the ever changing international capitalist economy.

Although Kenya had experienced a fairly stable political climate in the post independence period, despite the failed 1982 coup, Kenya had its own share of economic turbulence like many Sub-Saharan countries, including Ghana.

As previously noted, Kenya shared the economic susceptibility of African economies with the rest of the Sub-Saharan countries. The economic boom which was experienced

by the country during its post-independence period proved unsustainable and vulnerable to external shocks coupled with international market trends in world economy. The economic trajectories which adversely affected Ghana's economic progress were to characterize Kenya's economic downfall in comparative terms. The oil shock which took the international economy by storm during the 1970s led to the balance of payment difficulties. As has been noted, leadership change from Jomo Kenyatta to Daniel Arap Moi proved to be another challenge with which the new government had to grapple.

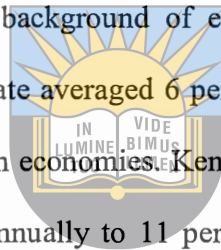


In relation to the above, this chapter seeks to capture, in relative terms, how the Kenyan economy, within a short period of time slumped to such unprecedented economic decline. This being the case, explication shall be sought as to how and why the International Financial Institutions IMF/ World Bank came to intervene as lenders of last resort to rescue the country from its balance of payment difficulties. And to what extent, did such intervention prove fruitful for the country's long-term economic growth? This being the case, was the World Bank and International Monetary Fund's intervention the right antidote for the country's economic fragility as the Twin sister Institutions insisted?

The period which preceded Kenyatta's ousting from power had brought about hard economically trying times for the country. The stable post-colonial, independence political climate coupled with impressive economic performance had allowed Kenyatta to contain the divisive nature of the country's political climate through patronage relations. While patronage relations depended on the well-functioning economic state, during the

Moi era this was soon to change. Triggering such a change were a number of factors both within and beyond the country's control.

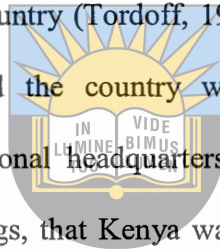
The economic slow-down in the International capitalist economy had affected not only the industrialized countries, but the African country's economic wellbeing. As Adepoju argued that during the late 1970s and early 1980s most African economies went into slump, real growth in Kenya averaged 4 percent between 1974 and 1990, (Adepoju, 1993: 2). This occurred against the background of economic boom years following independence where the real growth rate averaged 6 percent which was, in comparative terms, equal to the industrialized Asian economies. Kenya's inflation rate also increased during this period from 3.4 percent annually to 11 percent in 1974 to 1990 (Adepoju, 1993: 2).



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As previously noted, there were varied economic trajectories which contributed either directly or indirectly to economic stagnation, chief among these was the oil shock of 1973. Such an unexpected rise in oil prices triggered high commodity price imports for the receiving African economies. The continued deterioration of favourable weather conditions triggered widespread droughts which hit Kenya during the years 1974 to 1975, and from 1979 to 1980, and also 1983 to 1984. This, according to Adepoju, was exacerbated by the increased protectionism of developed countries, relatively high interest rates, decline in the inflow of concessionary capital and deterioration in terms of trade (Adepoju, 1993: 2).

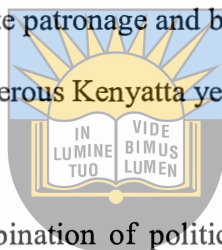
Apart from these, the collapse of East Common Service Organization (ECSO) in 1977 dealt a heavy blow to the already ailing Kenyan economy. It should be remembered that ECSO was composed of Kenya, Tanzania, and Uganda, a three member state regional grouping with promising economic potential for member states. As with most regional organizations, as observed by Tordoff,, the integration of states which are at different levels of development tends to concentrate further development in those already developed and to result in an unequal distribution of the benefits of cooperation, and, in this case, Kenya was the dominant country (Tordoff, 1987: 233). Economic benefits of intra-regional trade further benefited the country with most Kenyans dominating employment opportunities at the regional headquarters. The collapse of this regional organization meant, among other things, that Kenya was no longer going to reap trade and economic benefits from regional cooperation. As Swamy has it that with the collapse of the Custom union industrial growth decelerated in the 1980s (Swamy, 1994: 9).



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Such economic factors, coupled with Kenyatta's exit from power in 1978, are arguably contributory factors. When Moi assumed power he sought the continuance of the state's patronage relations. What may not have occurred to president Moi during his time of ascension to power was to realize the change, and economic down-turn, of the international capitalist economy. This sentiment is echoed by Throup when he notes that the Moi government has been less fortunate than Kenyatta. His rule commenced with a further doubling of the price of oil which was, by the end of 1980, absorbing 50 percent of Kenya's foreign exchange earnings as crop prices fell (Throup, 1993: 383).

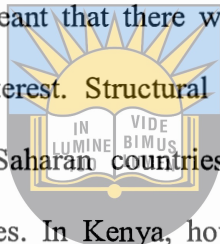
Imprudent fiscal policies during the Moi tenure meant that the country had to devise alternative economic policy interventions if it was to curb the country's persistent economic decline. What might have worked for Kenyatta was clearly not working for the Moi regime which resulted, according to Throup, in Moi's adoption of an authoritarian style. Whereas Kenyatta had co-opted the leaders of the country's ethnic sub-nationalist movements, Moi's support base was much narrower, and Throup argues that this narrowing of the regime's base resulted from the economic down-turn which had began almost as soon as Moi took power. State patronage and business opportunities were much scarcer than during the relatively prosperous Kenyatta years (Throup, 1993: 383).



In essence, it is through such a combination of political and economic events during Moi's rule that the country experienced economic downturn. Kenya was not the only African country experiencing economic difficulties because such a trend was prevalent to most Sub-Saharan countries. By turning to International Financial Institutions, Kenya was not a lone adopter of Orthodoxy-led development. It is, however, the subject of the ensuing discussion which looks at the country's adoption of structural adjustment programmes.

Kenya's adoption of Structural adjustment programmes was no less different from that of Ghana, considering the fact that both countries were severely affected by the oil shock of the 1970s which led to a global economic recession. Having noted this, the ensuing discussion centres around the country's adoption of Structural adjustment programmes, and how such an alternative economic developmental strategy impacted on the overall

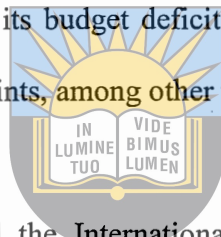
growth trend of the country. Kenya's adoption of Structural adjustment programmes has been reckoned as difficult to judge, which relates to the country's 'stop and go approach' in its implementation of reform measures. The Moi government had to come to terms with the economic reality that much of the economic opportunities and the country's wealth was at the hands of the dominant Kikuyu, to which Moi did not belong. Such a reality appears to characterize Moi's rule, and any adoption of policy reforms was bound to be affected by these factors. Moi, unlike Kenyatta, faced a difficult era of economic stagnation and deterioration which meant that there would be less utilization of state resources for personal usage and interest. Structural adjustment programmes, as an economic last resort for most Sub-Saharan countries have been met with internal resistance from the receiving countries. In Kenya, however, it remains to be proven whether, like Ghana, the introduction of such economic measures indeed did bought about economic development or even halted the deterioration of the country's economy.



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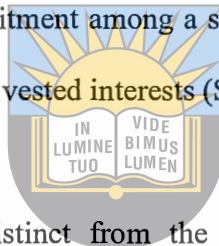
Kenya's association with the Twin sister institutions dated back to 1975 when, according to Swami, it first sought out the IMF, and the terms of agreement were agreed upon in 1979, but disbursements were delayed for a year (Swami, 1994: 12). It is also during this period that the international economy experienced problems of rising oil prices. By going to the International financial institutions, Kenya had a different purpose altogether than what the IMF and World Bank economic initiative envisaged. As Lofchie observes, the Kenyan government had taken the initiative to set the stage for such loans by developing its own set of policy responses to the balance of payments crisis created by the oil shock of 1973 (Lofchie, 1993: 413).

In the Kenyan context, Structural adjustment programmes meant the unbundling of a pervasive control system and reducing the prominent role of government in the economy (O'Brien and Ryan, 2001: 493). The Kenyan government had already devised strategic intervention as a response to the balance of payment problems. As Lofchie notes, the basic strategy for accomplishing this objective was set forth in an important government Sessional Paper No.4 of 1975. The Fund, on the other hand, required the government of Kenya to accept sharp limitations on its budget deficits so as to help reduce inflation, limit the public sector, and wage restraints, among other things (Lofchie, 1993: 414).



The relationship between Kenya and the International Financial Institutions was on favourable terms during the period of negotiations of Structural adjustment programmes. As a consequence, it could be argued with certainty that this was due to Kenya's assumed attitude in relation to the International capitalist-led market strategy which Kenya had assumed since independence. Considering such amity of relationship between Kenya, IMF and the World Bank, the government entered into a series of adjustment programs with the World Bank and IMF between 1982 and 1986. The terms of reference of the agreement hinged upon macroeconomic stabilization through fiscal and monetary exchange rate management. The policy agenda also encompassed interest rate deregulation, market liberalization, decontrol of markets for agriculture, and reforms in the health and education sector (O'Brien and Ryan, 2001: 493).

The worsening economic conditions prompted the Moi government to request the second Structural adjustment loan from the World Bank in 1982. With regard to this agreement, Swami notes, despite the fact that reforms under the first structural adjustment loan were proceeding slower than planned; the second Structural adjustment was ambitious and picked up largely on the unfinished agenda on trade reforms. Although the economy stabilized between 1982 and 1984, little or no progress was made toward structural adjustment, and while there were design and timing problems, the lack of compliance can also be traced to the absence of commitment among a small coterie of top civil servants who underestimated the strength of the vested interests (Swami, 1994: 13).



These reform measures were not distinct from the normal prescriptions for other reforming countries. It should also be emphasized that the policy agreement remains as such until it is properly implemented. The question of political will on the part of Kenyan government remained a vital aspect for the true realization of such economic measures.

Unlike Ghana which had a history of political instability with reforms and viewed with scepticism both by the International Financial Institutions and domestically, Kenya began its adoption of Structural adjustment programmes on advantageous grounds considering its political stability coupled with favourable relationship with the International Financial Institutions, and also the fact that Kenya was no stranger to capitalist market-led approach. Having noted this, such an advantage had to be balanced with political shortfalls endemic to the political and economic terrain in Kenya, if indeed such a decline was to be curbed.

It should be remembered that the economic downturn experienced by the country was mainly associated with the Moi era. The widespread resentment of the Kikuyu dominance characterized Moi's developmental strategy. As Lofchie notes, the demand for economic redistribution that Moi inherited from his predecessor fitted perfectly with his personal political agenda (Lofchie, 1993: 439). Moi's concentration upon the reversal of the Kikuyu dominance, both in the economic and political realm, had far-reaching consequences regarding the country's successful implementation of reforms. IMF and World Bank prescriptions were therefore incompatible with Moi's developmental strategy which affected the overall sectoral performance within the economy.

This was reflected in its stop and go approach to the privatization of State Owned Enterprises, Agricultural reforms, and Currency devaluation as the following chapter shows.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 METHODS OF DATA COLLECTION

Data collection methods and techniques enable the researcher to gain balanced and objective data. This study is comparative in nature; and it utilizes secondary source material as its main data collection technique.

Secondary sources are works of synthesis and interpretation based upon primary sources and works of other authors. They may take a variety of forms including bibliographies,

biographical works, commentaries, criticisms, dictionaries, histories, journal articles, magazines, newspapers, textbooks and websites. The authors of secondary sources develop their interpretations and narratives of events based on primary sources, that is, documents and other evidence created by participants or eyewitnesses (www.mitchellteachers.net/socialstudies).

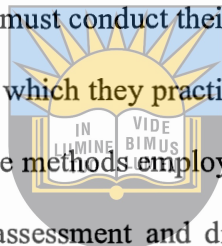
Secondary sources present a wide variety of source materials to draw data from; they have been preferred for this study due to the constraints of proximity in relation to the countries chosen as units of analysis. Their main advantage is that they are more accessible since libraries, and government information departments usually keep volumes of secondary sources for public use and research purposes. Secondary sources are cost effective to acquire, the use of secondary data has allowed researchers access to valuable information for little or no cost. Therefore, such information is less expensive than researchers having to carry the research out themselves. In addition, due to time and monetary constraints other data collection techniques have not been considered for this study.

4.2 METHODS OF DATA ANALYSIS

Data analysis is the process through which raw data is ordered and organized in a systematic and comprehensible manner. In this context, charts, graphs and textual write-ups form part of the preferred analysis of data concerning the nature of the foregoing research.

4.3 ETHICAL CONSIDERATIONS

Social enquiry is predicated on the belief that greater access to well grounded information will serve, rather than threaten, the interests of society. Nonetheless, in planning all phases of an enquiry, from the design to the presentation of findings, social researchers should consider the likely consequences for society at large, groups, categories of persons within it, respondents or other subjects, and possible future research (Social Research Association, 2003:17). If social research is to remain of benefit to society and the groups and the individuals within it, then they must conduct their work responsibly in light of the moral and legal order of the society in which they practice. They have a responsibility to maintain high scientific standards in the methods employed in the collection and analysis of data, in addition to the impartial assessment and dissemination of findings (Social Research Association, 2003: 17).



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In light of the above, since this study is based on secondary sources, proper referencing has been used both within the text and the bibliography.

CHAPTER FIVE

THEORETICAL ASSESSMENT OF THE RELEVANCE, SUCCESS, AND FAILURE OF STRUCTURAL ADJUSTMENT PROGRAMMES IN RELATION TO: CURRENCY DEVALUATION, AGRICULTURAL REFORMS, AND PRIVATIZATION IN KENYA AND GHANA

The overall economic strategy of the International Financial Institutions of the World Bank and the International Monetary Fund has centred on policy reforms of African economies in order to bring them onto par with other international capitalist market countries. Thus, the principle of conditionality has been at the forefront for receiving countries. As Callaghy contends, countries with “open” trade regimes consistently outperformed those with more “closed” trade regimes, both in times of international stability and in terms of international shocks. With regard to this, Africa was seen as a prime example of a region where efforts to promote import substituting industrialization led to adverse economic outcomes (Callaghy, 1993: 109).

As a consequence, World Bank and IMF Structural adjustment programmes had, as a precondition and as means to adjust the African economies towards a more “open” global market economic system, insisted on currency devaluation, agricultural sector reforms, and privatization in the adjusting countries. This chapter shall therefore seek, among other things, to provide an analysis regarding such sectoral reforms as prescribed by the IMF and World Bank, with specific emphasis on Ghana and Kenya in comparative terms. Questions as to whether these sectoral reforms were successful in one country, and not in

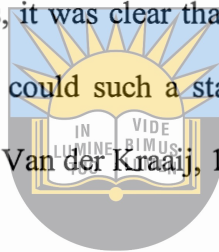
the other, and what accounted for successful implementation of such reforms, as well as the extent to which they were relevant and received by receiving countries considering that their initiation was a well contested matter, shall be given special attention.



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5.1 THE CASE OF GHANA AND CURRENCY DEVALUATION

One of the fundamental underpinnings of sectoral reforms, as mentioned above, is the notion of reduced or curtailed state intervention in market forces. This economic principle has unfortunately not been well received by the African adjusting countries because state intervention, as discussed in Chapter Two, has been a prevalent norm in post independence African states. Whether or not curtailing state intervention might prove worthwhile in some instances remains a subject of open debate. Van der Hoeven and Van der Kraaij observe that “given the assumption of the malevolent state, deliberately creating urban bias, it was clear that the adjustment process would be politically problematic. For, how could such a state be persuaded to unwind its own creation?” (Van der Hoeven and Van der Kraaij, 1994: 25).



Given the interventionist stance of the post-colonial African state in the economic realm, African governments were expected to repeal such a trend, and adopt a market oriented and driven approach of rolling back the state. As a precondition for the adoption of IMF and World Bank led reforms unwinding the state intervention, as suggested by Van der Hoeven and Van der Kraaij, was required. Because of political leadership interests in the economy, rolling back the state was going to be problematic, as averred by Van der Hoeven and Van der Kraaij.

In this sense, devaluation, as part of this conditionality, posed a threat to the vested political interests of the ruling elite. Devaluation in Kenya, like Ghana and ultimately many adjusting Sub-Saharan African countries represented one of the fiercely contested reform measures as it affected the most vulnerable social groups: the poor. This being noted, as part of the package of reforms imposed on adjusting countries,

devaluation of the country's national currency (shilling) was required as a precondition in receiving Structural adjustment loans and credits from either the World Bank (long-term lending) or the International Monetary Fund (short-term lending on balance of payments). However, the results of devaluation often paint a gloomy picture as a one size fits all approach is taken by the World Bank and IMF proponents.

The very justification for the reform of adjusting countries was to correct their balance of payment difficulties, thereby accumulating more domestic savings which was expected to improve social spending capacity. As Vajpai noted, the IMF supported adjustment programmes bear testimony to the fact that devaluation is used as a stabilization tool rather than an adjustment tool (Vajpai, 1993: 992).



The logo of the University of Fort Hare is a shield-shaped emblem. At the top is a sun with rays. Below the sun is an open book. The text 'IN LUMINE VERITAS' is written across the book. Below the book, the words 'UNIVERSITY OF FORT HARE' are written in a smaller font. The entire emblem is set against a blue background with a white border.

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In fact, Vajpai appears to be convinced that the IMF devaluation strategy may be misplaced, and inappropriate, depending on the economic context in which they are initiated. Justification for this hinges on the structural capacity, and weak bureaucratic structures within the conditionality implementing countries. With regard to this, he observes that the Fund seemed to be convinced that by the time countries initiate stabilization programmes there is an overvaluation of exchange rates, and that currency devaluation is the first medicine to be prescribed (Vajpai, 1993: 993). However, the view held by the Fund has also been strongly challenged by Taylor who maintains that the exchange rate is not always out of line at the beginning of the adjustment programme, and that a sudden devaluation might only aggravate the existing problem of macro instability in the economy (Taylor, 1988).

Thus, the rationale for devaluation in the context of macroeconomic adjustment programmes is that it is expected to raise the prices of tradables, (thus encouraging their production and discouraging their consumption), while making untradeable relatively cheaper. Tradable goods and services can be sold in another location distant from where they were produced, different goods have different levels of tradability, the higher the cost of transportation and the shorter the shelf life, the less tradable (untradeable) a good is; prepared food, for example, is not generally considered tradable goods, and does not directly compete with another city's prepared foods because of their short shelf span (www.wikipedia.com).



The objective is to reduce the domestic demands of exports, thus leaving more available to be exported, while at the same time encouraging increased production of exports and import-substitutes. In this way, devaluation is intended to improve the country's balance of payments position (Manundu, 1997). On the other hand, Vajpai notes that the main reason for devaluation is that it will make exports more competitive i.e. cheaper, and thus increase the volume of exports and foreign exchange earnings (Vajpai, 1993:992).

Despite, the rationale for initiating devaluation in the adjusting countries, the case of Kenya appears to provide a conflicting and patchy exchange rate reform despite continued pressure from the IMF and World Bank. With regard to this, Lofchie identifies two distinctly different, yet vital viewpoints of overvaluation. The first one is advocated by economists who employ "public choice" by claiming that a certain amount of overvaluation may be efficient at the early stage of a country's development. They argue that developing countries often lacked the administrative

capacity to collect more complex forms of taxation such as sales tax or value added tax, which would involve considerable bureaucratic costs as well as a certain amount of corruption (Lofchie, 1990: 67). Given the underdeveloped status of the African state, with a burgeoning bureaucracy, the additional introduction of administrative policy may overburden its already weak operation.

Economists within the Bank take the position that any amount of overvaluation introduces harmful distortions into an economic system since it lowers the production of tradable goods, discourages foreign investment and leads to the misallocation of scarce resources. Thus, the trend of fixing domestic currency against that of a foreign trading partner has been followed by most developed countries especially in cases where markets seem to underperform. With regard to this, Keohane and Milner note that the logic of fixing domestic currency to that of a major trading partner is clear, by fixing the domestic currency value to that of a trading partner, exchange rate volatility is minimized. And, as bilateral flows of capital and goods are not disrupted by exchange rate uncertainty, bilateral trade and investment would be encouraged (Keohane and Milner, 1996: 599).

According to the International Monetary Fund, devaluations are usually an important component of stabilization programs. For them, it is expected that a nominal devaluation will result in expenditure switching, increased production of tradables, higher exports, and an improvement of the external position of the country in question (Sebastian, 1986: 501). In this sense, expenditure switching denotes the expected cut in public expenditure by the devaluing country. While acknowledging this, in both Kenya and Ghana, fiscal reforms attempted to eliminate distortions such as an

overvalued exchange rate, high fiscal deficits, and restrictions on trade and inefficient public services that often prevent the efficient allocation of resources in the economy. The key objectives are then to eliminate the balance of payment deficits, public sector deficits, cut in public expenditure, and the achievement of structural change to prevent future balance of payments and stabilization problems (Amhed and Lipton, 1997). Since devaluation is expected to adjust the domestic currency to that of global market trends, away from government manipulation, devaluation is then considered to minimize political patronage networks prevalent within the adjusting countries.



In the case of both Kenya and Ghana it remained to be seen whether the introduction of devaluation would usher in much needed improvements in terms of production levels especially considering that both countries' exports are agricultural intensive, with Kenya exporting tea, coffee, and sisal, and Ghana exporting cocoa as its major export crop. What is striking is that agricultural production in both countries is based on the rural sector away from the urban sector where the returns and benefits of devaluation are expected to flow.

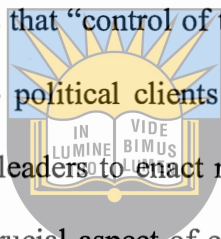
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As previously outlined, as part of the Structural adjustment programme package, Ghana had to devalue its national currency, the cedi, against the U.S. dollar.

Devaluation, like rolling back the state in market forces, has been a contested economic condition. It has to be remembered that, despite the economic decline in Ghana, policy implementation has been inconsistent partly as a result of political instability. The disagreement concerning exchange rate reforms was a task faced by the Provincial National Defence Council. As Herbst acknowledges, among the

changes demanded by programmes of comprehensive economic reform, perhaps none are more politically difficult than devaluation and altering the way the exchange rate is determined (Herbst, 1993; 38).

Ghana was no exception to other African countries although the Rawlings era was the defining moment of the political future and, thus, the implementation and adoption of Structural adjustment programmes. The trend among most African countries was that the exchange rate was administratively controlled, as opposed to being left to market forces. In this regard, Herbst observes that “control of the exchange rate also plays an important role in providing goods to political clients in many countries, making it extremely difficult for some African leaders to enact reforms, and that the exchange rate is seen by many in Africa as a crucial aspect of economic sovereignty” (Herbst, 1993; 38).



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It has to be remembered that the country’s adoption of exchange rate reforms was fraught with divisions, with the structuralists opting against it. The case of the structuralist has been well presented by Donkor, particularly when he observes that, among structuralists, devaluation has hardly ever held any credibility because, as Donkor argues; structuralists, particularly those from the developing world, assume that the very nature of developing economies make the currency and balance of payment disequilibrium inevitable (Donkor, 1997: 62). In retrospect, Ghana’s serious devaluation of the national currency began with the Busia government although such measures were unsuccessfully implemented due to the political instability of the time. As Herbst puts it, Prime Minister Busia announced in 1971 a surprise devaluation of 78 percent, a move which was quickly followed by the Acheampong coup and the

military government that followed revalued the cedi back up to 1.28 to the dollar in 1972 (Herbst, 1993: 39). The period beginning with the Acheampong was marred with political instability for any economic reforms to have been successfully implemented. This was the case until Rawlings came to power.

When Rawlings came to power in the early 1980s, the trend followed by the country of overvalued national currency was a contributory factor in the economic decline which the country experienced. The overvalued currency led to the emergence of the black market. With regard to this, Herbst identifies two reasons why successive devaluation of the country's national currency failed to manifest in reform even though there was consensus among policy makers. The first is that the system of administrative allocation of foreign exchange was extremely useful in rewarding clients because, in a climate of ever greater scarcity, the allocation of an import license was a powerful means of developing and retaining constituencies. Second, there was a belief among the urban population that they benefited from an overvalued exchange rate and would be hurt by any kind of devaluation (Herbst, 1993; 40- 41).

Because devaluation of the country's domestic currency makes the purchase of goods which take the form of imports from countries more expensive, this rise in commodity prices would, in turn, reverse the existing trend of overvaluation and, by so doing, hurt the urban consumers who previously benefited from overvaluation.

When Rawlings assumed power with the status of economic decline that the country was experiencing, his government had limited options, if any, apart from swallowing the bitter IMF and World Bank prescription of devaluation. This, in part, would show

the seriousness of the government in undertaking Structural adjustment programmes which, as a consequence, could either attract or repel any foreign aid. The Bank itself argues that devaluation would “help move relative prices towards their equilibrium” (World Bank, 1994: 34) which suggests that, through devaluation, the country’s purchasing power parity is poised with international market standards and is not domestically determined as was previously the case.

To be able to achieve its objective, as the government came to realize the seriousness of devaluation, it had to have a strategy. As it was clear that the government would experience dissent in the adoption of exchange rate reforms since “the Rawlings government succeeded in part because it was able to use an effective combination of coercion and legitimacy to deter outright opposition” (Herbst, 1993: 46). However, the intensity of such opposition was not as anticipated. The main reason for this was because the overvaluation of the cedi left only a few goods on the shelves of stores, and nothing in the market was priced according to the official rate (Herbst, 1993; 46). As a result of the overvaluation of the currency and the exploitation of peasant farmers’ profits, farmers tended to produce less which, as Herbst suggested, left only a few goods for purchasing.

With opposition contained, the government began the process of the devaluation of the national currency . The government strategy was to introduce a system of bonuses and surcharges, but over time such a system was discarded and step by step devaluation took place and, between 1983 and 1986, the currency was devalued in nominal terms from 2.75 cedi to the U.S dollar (Tsikata, 2001; 75).

Fig-5.1

Trends in Ghana's Currency Devaluation 1983-1990

Terms	IUSS=GC	Nominal Devaluations in S
Phase-1		
April 1983	24.69	797.8
October 1983	30.00	21.5
March 1983	35.00	16.7
August 1983	38.50	10.0
Phase-2		
December 1984	50.00	29.9
April 1985	53.00	6.0
August 1985	57.00	7.5
October 1985	60.00	5.3
January 1986	90.00	50.0
Phase-4		
September 1986	128.00	42.2
February 1987	157.00	22.7
December 1987	176.00	12.1
June 1988	188.68	7.2
December 1988	229.89	21.8
June 1989	270.27	17.6
December 1989	303.03	12.1
June 1990	328.95	8.5

Source: Willem Van der Geest. 1994. (eds.) *Negotiating Structural Adjustment in Africa*. (p. 130).

5.2 CURRENCY DEVALUATION IN KENYA

In Kenya, exchange rate regimes have evolved along the general macroeconomic policies adopted since independence. The country's economy during this period was characterized by controls in virtually all sectors. There were controls on domestic prices, foreign exchange transactions, interest rates, and import licensing, among other things. Yet this period generally yielded positive economic spin-offs which was

evidenced by the remarkable economic growth rate averaging 6 percent before the external shocks. However, the series of external shocks led to the country's adoption of fiscal reforms as a broader economic strategy aimed at reviving the country's ailing economy (Were et al, 2001: 3).

Kenya was expected to initiate exchange rate policy reforms because, as Taye notes, in most cases the exchange rate policy has been singled out as one of the most important factors influencing economic performance. That it is now accepted, at least by Orthodox economists, that chronic misalignment in the real exchange rate has been a major source of slow growth in Africa and Latin America. The real exchange rate (RER), the relative price of tradables to non-tradables, is an important variable in determining economic performance (Taye, 1996: 481).

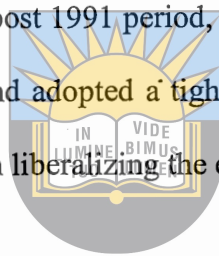


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However, it should be noted that the country's threading along reform-lines and thus following the IMF and World Bank fiscal reforms was to be fraught with tensions on the side of the government. With regard to this, Lofchie notes that the previous trend of overvaluation followed by the country may have been politically essential as a means of helping to enlist urban political support. Lofchie (1993: 408) is cautious in noting that "this is a deeply controversial matter that is best treated as an open question: can Kenya's exchange rate policy be defended as a means of taxing the country's peasant population to generate resources for urban industries and services?" Lofchie's question appears to define both Kenya and Ghana's case, as the theory of urban bias looked at in agricultural reforms provide a credible answer to Lofchie.

Although financial liberalization in Kenya was a culmination of intense and sometimes heated debate, by the second half of the early 1980s the government conceded a measure of liberalization under pressure from the IMF and World Bank. This saw the devaluation of the country's shilling in 1982. However, the government showed commitment to the reform process in Sessional Paper No.1 of 1986 on Economic Management for Renewed Growth, in which it adopted an outward-looking developmental strategy and proposed liberalization strategies, but it was not until 1990 that a greater degree of liberalization was witnessed, both in financial and goods markets (Were, 2007: 3). During the post 1991 period, the government simultaneously relaxed foreign exchange controls, and adopted a tight monetary and fiscal policy in addition to making significant steps in liberalizing the external sector (Were, 2007: 3).

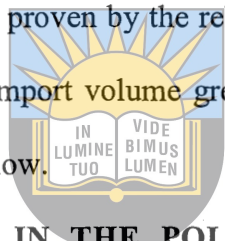


This was a necessary step because the government's tax base hinged on international trade. By relaxing the exchange controls, the government was in line with international economic trends which affected the country's economy one way or another. As Tanzi acknowledges, "when the tax base is highly dependent on international trade, overvaluation of the real exchange rate would tend to undermine the tax revenue and the attainment of the fiscal balance" (Tanzi, 1989: 77).

The reluctance regarding the implementation of these conditionalities is attributed by to the fear that the dismal performance may not cover the cost of imports resulting from currency depreciation (Musila and Newark, 2003: 340). On the other hand, evidence seems to suggest that Kenya's sheer reluctance in implementation appears to hinge on the country's bureaucratic officials as proposed by Lofchie who claims that, "judged by the criterion of those who advocate an equilibrium exchange rate policy,

Kenya's tendency towards overvaluation has always imposed a greater penalty on Kenya but only in recent years has this penalty began to reach alarming proportions" (Lofchie, 1993: 408).

However, Kenya's experiences with reform measures appear to hinge on the leadership's indisposition to fully embracing such policy reforms. As Amhed and Lipton note, Kenya's policy reforms, in particular, which started relatively late, and were implemented at a relatively slow pace, contrast with Ghana's adjustment experience (1997: 17). This has been proven by the relatively slow growth regarding export capacity, with the country's import volume greater than its exports of goods and services, as evident in Table.3 below.



KENYA'S TRADE PATTERNS IN THE POLICY REGIME PERIODS: TRADE COMPONENT AS A SHARE OF GDP (PERCENT). Table.5.1

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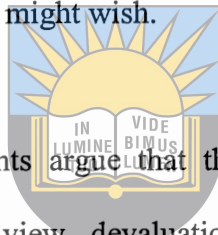
Policy Regime Period	Imports of Goods and Services	Imports of Goods	Exports of Goods and Services	Exports of Goods	Exports, Excluding Tea and Coffee
1962- 1971	30.9	28.0	30.6	19.8	14.0
1972- 1980	33.9	30.3	29.8	19.8	13.3
1981- 1992	28.1	24.7	24.9	14.4	8.2
1993- 1998	36.7	30.5	32.5	20.1	13.2

Source: Mwangi. S Kimeyi, John Mukum Mbaku, Ngure Mwaniki. 2006. *Restarting Sustained-Economic Growth and Development in Africa: The Case Study of Kenya.. pp. 132*

The impact of exchange rate reforms in both Kenya and Ghana vary, although there may be areas of commonality. This is the case mainly because both countries started implementing fiscal reforms at different times, to varied degrees of intensity, sequencing, structural capacity, and with differing terms of conditionality. It appears that, although both countries went to the IMF/World Bank for quick financial

disbursements to revive their ailing economies, the objectives for both countries were to differ significantly.

Financial assistance as a form of aid tends to trigger what is known as fungibility, a process in which aid tends to free-up monies and resources intended for effective use, to be channelled to other areas (Njeru, 2003: 2). The question of whether devaluation, as opposed to overvaluation, can improve the country's balance of payments, raise the current account, and contribute to the overall improvement of the country's economic performance is not as clear-cut as one might wish.



Contractionary devaluation proponents argue that there are several reasons why, contrary to the popular traditional view, devaluation can be contractionary, and generate a decline in real activity. They argue that devaluation can result in some contraction pressures on aggregate demand, which could more than offset the traditional expenditure-switching effect. They maintain that devaluation can generate a redistribution of income from groups with a low marginal propensity to save, to groups with a high margin propensity to save, thus resulting in a decline in aggregate demand and output (Krugman and Taylor, 1978: 445).

In Kenya, one of the major impacts of devaluation and price liberalization has been the increasing costs of imported input prices due in part to the prolonged and effective resistance of government to the liberalization of maize prices (Richardson, 1996). The overall effect of this has been deterioration in terms of agricultural trade since 1990, and there is very little evidence of a long-term move to more intensive use of key agricultural inputs (Ahmed and Lipton, 1997: 10). With regard to Ghana, for

example, Bawumia notes that, if we are to assume that tradables are mainly produced in rural sectors and non-tradables in the urban areas, devaluation will redistribute income from urban to rural areas. Bawumia, however, posits that this does not mean that incomes would be redistributed from urban to rural areas. If the production of exportables is in the hands of large-scale commercial farmers who dwell in urban areas, then incomes would be redistributed towards this group (urban sector), and devaluation might not necessarily improve income distribution (Bawumia, 1995: 4-5). When one considers the fact that Marketing Boards acted as an intermediary by extracting agricultural profits meant for rural peasant farmers engaged in agricultural production, it becomes apparent that income distribution, as espoused by the structural reforms, was to remain a myth and the actual trickle-down to the rural sector where production occurs was not achievable. A considerable body of literature in this regard, for example, Diaz-Alejandro (1963), Krugman and Tylor (1978), Bruno (1979), Gylfason and Schmid (1983), Hansen (1983), Gylfason and Raisager (1984), Islam (1984), Branson (1986), Solimano (1986), Wijnberger (1986), Gylfason and Radetzki (1991), and Kamas (1992) have suggested various arguments as to why a devaluation may be contractionary. Among the factors that may contract the aggregate demand of a devaluing developing African country are: changes in income distribution that favour economic sectors with a low marginal propensity to consume, a decline in investment, a decline in real wealth, or real balances, an increase in debt and debt service payments (measured in local currency), and low government expenditure out of tax revenue.

Such arguments pose a counter-productive stance in relation to the traditional view advanced by the IMF and World Bank. Even if some of the variants of devaluation's

benefits may be granted, we are still provided with no clear indication that such gains would change those ordinary people who are neither concerned with economic jargon, nor are on par with the urban class 'bourgeoisie' who are favoured by trickle-down benefits. Moreover, when one considers the structural capacity of states, in this case Kenya and Ghana, as lacking together with vested and contested political interests within the body polity, then logic appears to dictate among other things that, the benefits of devaluation fly in the face of reality. It could further be argued that devaluation was initiated as a necessary condition to weaken the patronage politics which were causing economic strain and impacting negatively on economic performance.

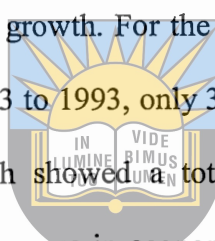


To further evaluate the impact of Fund-supported fiscal reforms on economic growth, various methods have been applied, (i) The Before and After Approach, which compares macroeconomic performance during a programme, and performance prior to the programme; (ii) the With-without Approach, which compares macroeconomic performance in countries with programmes and macroeconomic performance in a “control group” of countries without programmes; (iii) the Actual- versus- Target Approach, which compares actual macroeconomic performance under the programme, and the performance specified in its targets, and; (iv) the Comparison of Simulations Approach, which compares the simulated performance of Fund programme-type policies and simulated performance with another set of policies (Khan, 1990: 198).

However, for the scope of this study, emphasis shall be placed on the first approach (Before and After Approach) which has been one of the most popular in its

application to the Less Developed Countries. Although relative, studies within this approach have concluded positive performance with regard to the balance of payments, current account, inflation, and GDP ratio (Reichman and Stillson 1978, Kelly (1984). On the other hand, Killick (1984) concluded that the balance of payments, and current account deteriorated irrespective of the time period over which the comparison was made (see also Zulu and Nsouli 1985).

Table.4 below shows the approaches applied in trying to ascertain the effects of Fund-Supported programmes on economic growth. For the Before and After Approach, of the 9 studies carried out between 1963 to 1993, only 3 recorded increase in economic growth. The With-without Approach showed a total of 8 studies in which one decrease in economic growth, one increase in economic growth, and 6 recording no increase in economic growth. Lastly, the regression Approach has a total of 12 studies, with only one increase in economic growth, 7 decrease in economic growth, and 4 none increase on economic growth. The studies spanning from 1963 through to the current dispensation, 1999, conclusively suggest that if there is an effect on economic growth as a result of Fund- Supported stabilization programmes, it is extremely minimal in making any significant change in the ordinary lives of the people to whom it matters.



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TABLE.5.2 IMF AND ECONOMIC GROWTH.

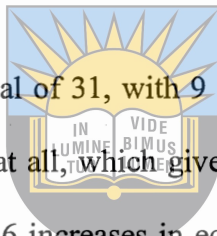
STUDY	PERIOD	NUMBER OF PROGRAMMES	NUMBER OF COUNTRIES	EFFECT ON ECONOMIC GROWTH
BEFORE AND AFTER				
Reichman and Stillson (1978)	1963-1972	79	n.a	Increase
Censors (1979)	1973-1977	31	23	None
Zulu and Nsouli (1985)	1980-1981	35	22	None
Killick (1986)	1974-1979	38	24	None
Pastor (1987)	1965-1981	n.a	18	None
Killik, Malik, Manol (1992)	1979-1981	n.a	16	Increase
Schadler et al (1993)	1983-1993	55	19	Increase
Evrenual (2002)	1971-1997	n.a	109	None
Hardoy (2003)	1970-1990	460	69	None
WITH-WITHOUT APPROACH				
Donnovan (1981)	1970-1976	12	12	Increase
Donnovan (1982)	1971-1980	78	74	Decrease
Loxely (1984)	1971-1982	38	38	None
Gylfason (1987)	1977-1979	32	14	None
Faini et al (1991)	1978-186	n.a	93	None
Hardoy (2003)	1970-1990	460	69	None
Hutchison (2004)	1975-1997	155	25	None
Atiyen and Conway (2005)	1993-2002	171	95	None
REGRESSION APPROACH				
Goldstein and Montiel (1986)	1974-1981	68	58	None
Khan (1990)	1973-1988	259	69	Decrease
Doroodian (1993)	1977-1983	27	43	None
Bagci and Perausdin (1997)	1973-1992	n.a	68	Increase
Bardo and Schwarz (2000)	1973-1998	n.a	24	Decrease
Dicks and Mireaux 2000	1986-1991	88	74	Decrease
Przeworski and Vreeland (200)	1970-1990	465	135	Decrease
Butkiewicz and Yanikkaya (2003)	1970-1999	407	n.a	Decrease
Hutchison and Noya (2003)	1975-1997	764	67	Decrease
Hutchison (2003)	1975-1997	461	67	Decrease
Nsouli and Mourmouras, Atoian (2003)	1992-2000	124	92	None
Easterly (2005)	1980-1999	107	107	None
Atoyan and Conway (2005)	1993-2002	181	95	None
Barro and Lee (2005)	1975-1999	725	81	Decrease



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Source: Alex Dreher, 2005. IMF and ECONOMIC GROWTH: THE EFFECTS OF PROGRAMS, LOANS, AND COMPLIANCE WITH CONDITIONALITY, pp. 27.

Dreher's observation appears to describe the case of Kenya where such conditionalities were implemented intermittently, and have assumed a 'stop and go' approach by the leadership. As a result, the World Bank has labelled Kenya a 'Mixed reformer'. The Bank's ratings on macroeconomic policy and improvements from the beginning of the 1980s labelled Kenya as having achieved a 1.0 percent index score, and as having achieved small improvements in macroeconomic policies. Ghana, on the other hand, scored more than 2.0 percent, and has been labelled as having made large improvements (World Bank, 1994: 58).



The studies constitute a combined total of 31, with 9 decreases in economic growth, 16 recording none economic growth at all, which gives a total of 25 displaying non-economic growth, which leaves only 6 increases in economic growth. In the case of devaluation, there is compelling evidence from these studies of the actual effect of devaluation in less developed countries. The majority of the studies appear to contradict the Orthodox view, held by the World Bank and IMF, that devaluation will have positive spin-offs in the long-run in terms of economic growth in the devaluing country's economies. Evidence from these studies contradicts the view shown in Table.4, with minimum economic growth occurring after devaluation and with the commodity prices set in market standards which, in this case, means that there would be an increase in domestic food prices. In this situation the most vulnerable population group which, in most cases, resides in rural areas is the most heavily affected. Moreover, the process of production in both countries is concentrated on small peasant farmers who provide income for the majority of the population. An increase in producer prices meant that the same population will be hurt by such high prices, and income distribution to the vulnerable population groups will thus be

affected. In essence, the impact of currency devaluations on the overall economic growth, within the reforming countries, is mixed.

5.3 AGRICULTURAL REFORMS IN GHANA AND KENYA

The agricultural sector in Sub-Saharan Africa forms the core of development; any meaningful take-off in terms of economic development cannot be sustained without the attainment of positive growth trends in the agricultural sector. In Sub-Saharan Africa, including Ghana and Kenya, there is a very close relationship between growth in agricultural sector and that of the entire economy, when performance of the agricultural sector is good, that of the economy is good; and vice versa. The positive correlation illustrates the need for the government to invest heavily in agriculture if the economy is to improve (Nyangito et al, 2004: 20). However, this was hardly a trend followed by African governments in post-colonial agricultural policy strategies as the state in Africa assumed an interventionist stance in the agricultural sector.

Kenya's agricultural sector is its base for economic growth, employment creation and foreign exchange earnings. In addition to its role as a major source of food, the sector is also a stimulant of off-farm employment and supports the livelihood of 80 percent of the country's population living in rural areas. The performance of the agricultural sector, therefore, directly determines poverty outcomes (Kimenyi and Mwangi, 2002: 6). The same holds true for Ghana where, during 1993, agriculture accounted for 46 percent of the GDP and 60 percent of exports, agriculture is closely correlated with poverty and 80 percent of the poor live in rural areas, most of them actively involved in agricultural activities (Engberg-Pedersen et al, 1996: 161- 162).

With such a vital role to play, any objectives directed towards agricultural reform growth should take into consideration the profound implication that this would have on ordinary people whose livelihoods thrive on an important sector, such as agriculture. Thus, it appears apparently clear that any reform objectives attempted in the agricultural sector of both Kenya and Ghana would have to be a mixture of domestic policy formulations, in addition to foreign aid and donors. This is the case primarily because Sub-Saharan African countries lack the financial capital to revive their economies. For Kenya and Ghana, even if both countries' agricultural reforms relied on aid and donor support for growth and development, "the correlation between aid and development is, at best, weak" (Lloyd et al, 2001: 6). As the World Bank notes, "Aid only appears to be effective in countries with appropriate economic policies, i.e. aid works in a good policy environment (Lloyd et al, 2001: 7). From this view, good policy is a necessary condition for aid effectiveness, as was the case in Ghana's Economic Recovery Programme. However, this view has been challenged, and there is evidence that good policy is not necessary for aid effectiveness (Hansen and Trap, 2000b). In fact, good policies might be in place but if the political will to implement these is lacking, the effectiveness of aid appears bleak as was evidenced in the case of Kenya's implementation of Structural adjustment programmes which led to the it being labelled as a 'mixed reformer' by the World Bank.

As a form of supplement to aid, both Kenya and Ghana had to curtail their agricultural producer prices, as an incentive to peasant farmers. In this respect, Jeffries notes that "there has been an erosion of incentives for agricultural export producers through currency overvaluation, and excessive taxation by way of monopolistic marketing boards, as governments sought to extract more and more revenues from the limited

resources of a weak peasant export sector” (1993: 21). In Ghana, one of the predominant marketing boards in agricultural produce was the Cocoa Marketing Board (COCOBOD) which controlled and manipulated cocoa producer prices. In Kenya, these took the form of the Maize and Producer Board and National Cereals and Produce Board (Jeffries, 1993: 21).

The World Bank’s long term perspective study identifies the following primary objectives in terms of agricultural reform: To identify and disseminate new technologies to increase productivity; To develop rural infrastructure in order to strengthen rural-urban economic links and improve marketing; To encourage rural peoples and associations, including women to play a greater role in decision making, and to promote regional cooperation, especially in food, trade and joint research (World Bank, 1989:90). Kenya’s Fourth Development plan - which recognized agricultural development - identified the following objectives: broad self sufficiency in primary food commodities to avoid using scarce foreign exchange for food imports; Food supply security for each region of the country; distribution of food to provide every member of the population with a nutritionally adequate diet. These objectives were to be achieved by giving special priority to public investment in agriculture, especially subsistence farming, improving the efficiency of production, marketing and distribution, developing a well defined land policy, and increasing the national storage capacity (Nyangito et al, 2004: 9).

Ghana’s Agricultural Policy Action Plan and Strategies of 1986- 1988, as formulated by the Ghanaian government, outlined the following objectives:

- Self sufficiency in the production of cereals, starchy staples and animal protein food, with maize, rice and cassava as priorities in the crops sub-sector, in the short term.
 - Maintenance of adequate buffer stock for price stabilization and food security during periods of seasonal shortfalls and major crop failures.
 - Self sufficiency in the production of industrial raw materials such as cotton, oil palm, tobacco, groundnuts etc.
 - Increased production of exportable crops, cocoa, pineapples, coffee, peanuts, ginger, and kola.
 - Improvement in storage, processing and distribution systems to minimize post harvest losses.
 - Strengthening most of its activities, including decentralisation, by shifting operational responsibilities from headquarters to regions.
 - Improving existing institutions and facilities such as agricultural research centres, credit facilities, marketing facilities etc, and
 - Ensuring adequate returns to farmers, fishermen, distributors and processors.
- (Donkor 1997:67).

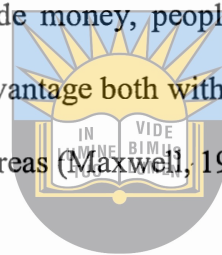


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Among the reform objectives of agriculture was the reduction, or complete obliteration, of the notion of 'urban bias' which has disadvantaged rural peasant farm producers. In this regard, Lipton notes that "the important class conflict in the poor countries of the world today is not between labour and capital, nor is it between foreign and national interests. It is between the rural classes and the urban classes. The rural sector contains most of the poverty, and most of the low-cost sources of

potential advance; but the urban sector contains most of the articulateness, organization and power” (Maxwell, 1998: 18).

Although Lipton’s work was primarily concerned with the Indian experience, his work was taken further by Bates, who provided a more in-depth exploration of the micro-foundations of urban bias in Africa. Bates analysed the political rationale for state intervention in markets and suggested that African states were likely to appease the most vocal political interests - better organized urban constituencies - even while seeking to “levy from the countryside money, people, food and raw materials” in order to restructure the patterns of advantage both within the countryside and between the countryside and urban industrial areas (Maxwell, 1998: 6-7).



In essence, the theory of Urban Bias asserts that some groups, because of their location in central urban areas, are better able to organize themselves and therefore advance their demands on the state as opposed to other groups such as the multiplicity of small farmers. Because urban groups are geographically and strategically located they are able to quickly organize and easily impose deprivation on others, and they include; the bourgeoisie, foreign investors, workers, and the bureaucracy. Therefore, the demands of these groups are taken into account by the political elite because they conform to the goal of industrialization. Public policies then become urbanely biased (Julie, 2008: 2).

Agricultural underperformance in most Sub-Saharan African states, which had a negative effect on the overall economic development, is strongly linked to the theory of urban bias. The World Bank’s observation of agricultural growth makes similar

reflections. The Bank contends that “African farmers have faced the heaviest rates of agricultural taxation, perhaps partly because agriculture has been such a crucial source of revenue for African governments. African farmers were taxed explicitly through producer-price fixing, export taxing, and taxes on agricultural inputs, and implicitly taxed through overvalued exchange rates which reduced the prices they obtained for their exports” (World Bank, 1994: 76).

The policy reform concerning agricultural reforms in both Kenya and Ghana centred on the reduction of the level of indirect taxation of agriculture through trade liberalization and the removal of price controls. The pre-adjustment period tended to tax the agricultural sector through trade and pricing policies, often to keep food prices low for the benefit of the urban population and to generate export tax revenue (Van Braun et al, 1993: 10). Lloyd et al note that, the major decline in cocoa, the major export earner in Ghana over most of the period was primarily because it was discriminated against. Such discrimination, through the tax system, as well as price and marketing controls together with the overvaluation of the currency meant that changes in world prices were not passed through to the farmer (Lloyd et al, 2001: 7).

In relation to this, White et al have shown that these policies resulted in a slowdown in agricultural sector growth, with industrial and macroeconomic policies often having a greater impact than more direct, sector specific measures (White et al, 2008: 20). In general, the policy environment in the 1980s and early 1990s in Ghana and Kenya has been oriented towards building the basis of long-term economic growth by tilting domestic terms of trade toward rural producers (Van Braun et al, 1993: 12). As these agricultural reforms appear to contradict the vested leadership interests in both

respective countries, to achieve them not only posed an immense challenge to domestic policy makers, and to the leadership's attitude, but they were also to define the relationship between the adjusting countries on the one hand, and the donor institutions on the other. Continued and sustained financial injection from the financial institutions hinged on the efficient implementation of such reforms by both Kenya and Ghana and, ultimately, by all the adjusting African countries.

It should be borne in mind that the 1980s onwards was a period when leadership of both countries tried to consolidate their power. With Flight Lieutenant Jerry Rawlings having assumed power through his famous 'second coming' coup one saw the deposition of Dr Limann in 1981, and president Daniel Arap Moi having succeeded Jomo Kenyatta, Kenya's founding father in 1978. The new leadership had to strike a precarious balance between the consolidation of political power on the one hand, with declining economic performance, and embracing structural adjustment programmes on the other. Having noted this, formulating reform measures which appeal to stakeholders is half the work done; the other half lies in the pragmatic implementation of reform measures.

Ghana and Kenya departed from divergent policy approaches during the post-independence period, both of them assuming heavy state involvement in the economic activities of their respective countries. Kenya's adoption of the market-led capitalist development approach did little, if anything, to rescue the country from heavy state interference. In Ghana, the introduction of Structural adjustment programmes centered on the leadership factor, while Kenya's initiation of reforms was met with less resistance. In fact, Kenya exhibited the image of a country with a positive,

powerful appeal and capability in implementing Structural adjustment programmes, in contrast to Ghana, yet the opposite appears to be the case.

The agricultural sector in Kenya represented one sector where output fell way below the demand, and the primary reason for this, apart from the negative growth trends of the 1970s and 1980s, was the ever increasing total of the country's population. This, on its own, placed immense pressure on the country's food security. O'Brien and Ryan observe that agricultural pricing and marketing was, perhaps, the most difficult and contentious area of policy reform throughout the entire period of structural adjustment, that it is the area of economic policy that has created a misunderstanding and caused ill will between donors and government, and is probably the area where the gap between agreed policy conditions and implementation has been the widest (O'Brien and Ryan, 2001: 503).



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Considering the above, it is not hard for one to ascertain why the implementations of agricultural reforms have often been partially implemented. Like many Sub-Saharan African countries, Kenya is one country where, in Callaghy and Ravenhill's (1993: 114). In view of this, political logic has not truly been able to reconcile with economic logic. Kenya's political history has been rooted along ethnic lines, and marred with the inequitable distribution of the country's resources. Such ethnic tensions became more pronounced during the Moi rule as he grappled with the balancing act of redistribution, and provided economic opportunities to his Kalenjin ethnic group, away from the dominant Kikuyu ethnic group which had previously benefited under Kenyatta's tenure. But, in this balancing act, the hardest hit sector of the population has been the rural peasant farmers.

As Engberg et al note; peasant agriculture in tropical Africa is overwhelmingly a matter of small peasant farmers who produce the bulk of the agricultural output, and provide an income for most of the population. The risk-spreading and trading cultivates a network of kinships and other relations. These tend to be patriarchal, marked by patron-client linkages, and links to local political structures (Engberg et al, 1996: 30). Leadership transition in Africa has usually spelt the introduction of new policies and, with ethnic divisions; Kenya's new policy under Moi was bound to have adverse effects on policy implementation and its outcomes. Callaghy and Ravenhill present a clear and succinct picture of how agricultural associations were affected when they observe that "in 1985 the government banned the Kenyan Farmers Association and replaced it with Kenyan Grain Growers Cooperative Union, as this was not enough, in 1989, the Kenya Coffee Growers Association was also banned. That these policies should have led directly to lower rates of agricultural growth and indirectly to lower rates of growth in industry and manufacturing requires little explanation" (Callaghy and Ravenhill, 1993: 441-442).



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Low rates of agricultural growth, which spreads to other parts of the economy, was the result of peasant farmers' response to high taxation, minimum profit returns for their produce as peasant farmers opted to produce less, and to circumvent government marketing boards for the black market where their products would be bought at market related prices as opposed to fixed government prices. It is noted by Julie that "when prices decrease, peasant farmers reduce production, and they change their production mix for crops that are not regulated by the state, and they move to private

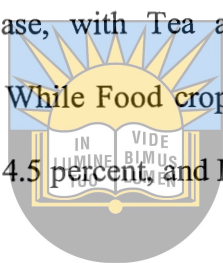
channels, such as black markets so as to avoid state policies, peasants seek refuge into markets both formal and informal” (Julie, 2008: 4).

The World Bank’s response in trying to counter such government policies was to strengthen its grip on agriculture by closely monitoring its performance. With regard to this, Mosley note that the Bank invented the Permanent Secretary for Agriculture to chair a set of inter ministerial working parties relating to each piece of suggested policy reform (Mosley, 1992: 119). The initiation of the Permanent Secretary for agriculture by the World Bank ushered in a new set of responsibilities. In addition, Mosley observes that, among its undertakings, the Permanent Secretary sought to promote the increased use of fertilizers, which was assumed to be used by 6 percent of small holders; and tighten the financial performance of the Agricultural Finance Cooperation which had an estimated 50 percent of non-performing assets (Mosley, 1992: 119). The Permanent Secretary then became a watchdog through which the Bank could liaise with the Kenyan government on policy matters relating to agriculture. In fact, the very same undertakings of the Permanent Secretary, argued Mosley, formed the conditionality attached to the Agricultural Sector Credit of June 1986. As a consequence, an Agricultural Sector Credit for \$60 million, granted for the purchase of agricultural inputs such as fertilizers and pesticides, was agreed upon in June 1986 (Mosley, 1992: 119).

The Kenyan government reached an agreement with both the IMF and the World Bank in 1986 and 1988, respectively. The World Bank agreement, with its conditionality of implementation outlined above, led to an increase in the availability of fertilizers by 40 percent, but has since flattened out. While with the IMF in 1988,

the Kenyan government received \$85 million IMF standby, plus \$90 million Structural Adjustment Facility, the conditionality of which entailed the reduction of overseas borrowing and the reduction of the budget deficit, together with the maintenance of positive interest rates. The result of this IMF agreement was little reduction in the budget deficit in February 1989, with positive real interest rates maintained. (Mosley, 1992: 112).

The growth trends showed in Fig.8 an overall increase in both Cash and Food crops. During the period between 1986 and 1988 there was a significant increase in Coffee achieving a 146.8 percentage increase, with Tea achieving a 493.8 percentage increase, and Cotton at 97.1 percent. While Food crops increased, commodities also increased by 75.4 percent, Wheat by 14.5 percent, and Rice by 19.2 percent.



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Fig. 5.2

KENYAN COMMODITY VOLUME INCREASES

Commodity	Avg. Production 1967-69, in 1000	Avg. Production 1986-88, in 1000	Percentage 1967- 69/1986-88
	Metric tonnes	Metric tonnes	
Cash Crops			
Coffee	47.6	117.5	146.8
Tea	26.0	154.4	493.8
Cotton	14.0	27.6	97.1
Food Crops			
Corn	1544.3	2708.3	75.4
Wheat	206.7	236.7	14.5
Rice	19.3	23.0	19.2

Callaghy, I.M., and Ravenhill, J (eds.). 1995. Hemmed In: Responses To Africa's Economic Decline. (p.403)

Although, according to these growth trends, there appears to be a substantial increase in the production of both Cash crops and Food crops during the 1967-69 and 1986-88, these increases, according to Lofchie, did not nearly keep pace with the growth of the country's population. The population more than doubled during this period, from about 10 million to approximately 22 million (an increase of 12 million) (Lofchie, 1993: 404).

Apart from the challenge of the population explosion, the country still had to grapple with the change of agricultural strategy, from Kenyatta's comparative advantage, to Moi's self sufficiency. Comparative advantage proponents maintained that the country should not alter its standing emphasis on agricultural exports, since these continue to yield the greatest amount of economic output and foreign exchange per unit expended. From this perspective, according to Lofchie, it would be economically imprudent to shift scarce resources towards the production of grain. This is the case as a result of the glutted world grain market and the availability of heavily subsidized suppliers through food aid programs, these crops are available from foreign suppliers at prices that are sometimes considerably lower than Kenya's cost of production (Lofchie, 1993: 404).

While the position of comparative advantage proponents was formally adopted in early 1981, the self sufficiency proponents also earned the support of president Moi. Lofchie acknowledges that programs to increase domestic grain production would be economically costly. Since grain crops are import intensive, increased food production would inevitably involve considerable costs in foreign exchange. In essence, the debate over comparative advantage and greater self sufficiency is

politically important, observes Lofchie, because it is part of a greater conflict over which Kenyans will benefit from the government's agricultural policies (Lofchie, 1993: 405).

Agricultural reforms constitute one of the most contested reform sectors, not only in Ghana but throughout Sub-Saharan Africa. The economies of most African countries rely heavily on agricultural exports which, in this case, consist of a single dominant crop, such as cocoa. The majority of the population lives in rural areas and their main economic activity is agriculturally intensive. The social and economic gaps which exist between the rural and urban populations meant that the agricultural sector would play a strategic role in terms of market share. Engberg et al (1996: 161) note that agriculture accounts for 46% of GDP and 60% of exports (although both figures have declined in late 1993). However, it remained to be seen whether the theory of urban bias which has resulted in the fall of agricultural production was still to be utilized by the government after agricultural reforms were introduced.

The economic decline experienced by the country from the 1970s onwards has severely crippled the agricultural sector. Chief among the factors of this economic decline has been the drought which has wreaked havoc in many Sub-Saharan African states, and Ghana was no exception. The growth trends in agriculture show that although the country has managed to sustain its food security before the period of decline, the ensuing period held devastating consequences for the country's agriculture.

As Donkor notes, the need, in Ghana, to undertake serious reforms has become critical after the 1983 drought after which food security had been compromised. For Donkor, even in the strong sub-sector of cereal production the country was compelled, as a consequence, to import substantial quantities of cereals in order to meet the demands of a population growing by about 2.5 percent per annum (Donkor, 1997: 162).

Such a negative trend required major policy interventions by the government if it was to be reversed. This was motivated by the Bank's contention that chief among the reasons for such decline was the high rate of taxation in Ghana, in that African farmers have faced the world's heaviest rates of agricultural taxation in the form of producer price fixing, export taxes on agricultural inputs and, indirectly, through overvalued exchange rates (Donkor, 1997: 164). The situation has been exacerbated by agricultural policy on state farms which contributed to political patronage resulting in incompetent appointments which, in turn, resulted in the total neglect of the small-holder private base (Donkor, 1997: 165). Similar sentiments are shared by Shan et al who observe that "policies that discriminate against agriculture have been major contributors to the economic crisis in Africa. State monopolies in export crop marketing and related export price control have had particularly deleterious effects on export performance and the balance of payments". (1997: 188). Part of this neglect is evident in Fig .6 which shows that in 1980 agricultural contribution to GDP averaged 57.9%, and had fallen in 1993 to 47.3%, a decrease of 10%; this makes it clear that a period of thirteen years has not been able to successfully revive such a crucial sector of the Ghanaian economy.

Table 5.3**AGRICULTURAL CONTRIBUTION TO GDP 1980-1993**

	1980	1985	1991	1992	1993
Percentage of GDP	57.9	44.9	48.6	48.6	47.3
Average annual growth	-1.3	1.9	4.7	-0.7	2.8

Source: Donkor, K (eds.) *Structural Adjustment and Mass Poverty in Ghana*, 1997 p. 168.

As a consequence, the Economic Recovery Programme (ERP) discussed in Chapter Four sought to reverse such a trend. A series of policy reviews, in conjunction with the World Bank, yielded positive spin-offs. This, in particular, Donkor has noted as moment in which “the Bank undertook an Agricultural Sector Review which highlighted the main elements of a strategy to promote agricultural development on a sustainable basis”, thus leading to the launching of a \$53.5m Agricultural Services Rehabilitation Project (ASRP) in 1987 (Donkor, 1997: 165). The country’s positive working relationship with the World Bank, coupled with the political will of the Rawlings regime to institute World Bank/IMF led Structural adjustment programmes, meant that the country was willing to make radical policy reforms.

In order to achieve the required results, a collective effort on the part of Ghanaian civil society would have to be marshalled towards attaining positive outcomes. Such a collective effort was instituted, as Donkor observes, during the period starting from 1983 to 1985 which saw a series of ad hoc measures designed to overcome the neglect of agriculture and food shortages caused by the drought of 1982/3 as well as the effects of the expulsion of a million Ghanaians from Nigeria. The major objectives of these measures were to mobilize all available human resources and other resources in

order to increase the production of major staples, and to reclaim abandoned cocoa farms, in addition to replanting the cocoa and other farms devastated by the 1983 bushfires (Donkor, 1997: 166).

Such measures, as they sought a collective approach for the revival of the agricultural sector, yielded positive results for the country. Donkor notes that “the ad hoc measures yielded dividends in production figures leading to higher than planned results, that for example, maize production which reached an all time low of 141, 000 m/t in 1983, increased to 547, 000 m/t in 1984” (Donkor, 1997: 166). Ravenhill and Callaghy, on the other hand, note that due to the Structural adjustment Credit with the Bank, which called upon the government to provide cocoa farmers with 55% of the international price by 1988-1989, cocoa production which bottomed out at 168, 000 tons in 1983, is projected to increase to 300, 000 tons in the early 1990s (Callaghy and Ravenhill, 1993: 349).

It has to be noted that such figures, although positive in their own respect, represented a fragmented and incomplete sample of the overall agricultural yield. However, the positive steps taken by the government to try to reinvigorate the country’s agriculture played a crucial step in trying to close the gap of neglect caused by the previous political regimes. Although one could cast doubt on the notion that the Rawlings government alone could not have managed the attempt to institute the World-Bank/IMF led Structural adjustment programmes without outside interference, there appears to be little doubt that its willingness played a crucial role in changing the country’s fortunes.

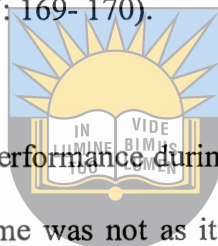
The Ghanaian case, in relation to agricultural sector reforms, has been well documented, and it has provided an exemplary indication of how an African country could almost singlehandedly manage to institute political reforms, against all odds.

Callaghy and Ravenhill reiterate this point when they note that “it does not require the dramatic changes to move to electoral system or the significant alterations in the bureaucracy that institutionalized consultation would entail” (1993: 351).

Herbst, on the other hand, makes this point clear when he notes that although the economic Recovery Programme began in 1983, it was not until 1986 that a focus on food agriculture emerged. The country was fortunate that in 1984 there had been good rains so there had been an increase in agricultural production, but Herbst is also quick to point out that the ad hoc measures could not guarantee an adequate food supply (Herbst, 1993: 150). Climatic conditions remain a crucial determinant in terms of agricultural output especially in African countries, including Ghana. This is the case largely due to technological backwardness. As Donkor observes, rainfall had become the predominant factor for agricultural output, and that the growth output in 1993, for example, was attributable to good rainfall (Donkor, 1997: 169). The average annual growth in Fig .6 clearly indicates that between the years 1980 to 1983 experienced a negative growth trend in agriculture, as compared to 1991 and 1993 which averaged at 2.8. This fluctuation in terms of agricultural output can be attributed, to a reasonable extent, to the prevalence of rainfall.

Apart from this, Ghana’s record in implementing agricultural reforms has been impressive; this is indicative of a country and a regime driven to curb and reverse the

plight of the economic situation of the country. Given the political and economic climate that the Rawlings government experienced in order to initiate such reforms, coupled with the stringent preconditions of the World Bank and IMF's unyielding conditionality, Ghana had an impressive record. Donkor claims that "it is ironic that agriculture is one of the area's most protected in the industrialized West and yet, Ghana, like most developing countries, is being asked to pull down the barriers of protection... that the Bank insists that the future direction of the public sector in agricultural marketing is for the state to stay out and concentrate on creating an enabling environment" (Donkor, 1997: 169- 170).



Despite some setbacks, agricultural performance during and after the implementation of the Economic Recovery Programme was not as it was in the regimes preceding Rawlings's second coming, and his initiation of Structural adjustment programmes although some critics would like us to believe that this was the case. Shan et al motivate for this when they note that the Economic Recovery Programme that commenced in 1983 marked the reversal of years of declining output in agriculture in Ghana (Shan et al, 1997: 196).

In both Kenya and Ghana, agricultural policy reforms touched on the core of the previously practiced trend of 'urban bias' pursued by both countries. However, in Ghana, such a trend was reversed during the coming into power of Jerry Rawlings, and his initiation of the Economic Recovery Programme. In Kenya, the urban bias trend continued through Moi's term. The post adjustment period in both countries touched on the core of structural weaknesses, capacity to implement reforms, and leadership attitudes.

The case of Ghana exhibited structural weaknesses which generally affected the agricultural sector and were largely ignored; they include a primitive marketing and road system that adds substantially to financial costs. According to Engberg-Pedersen, about 70 percent of the farm retail price is accounted for by transportation costs and depresses farmer income by limiting marketing options and bargaining power relative to traders (Engberg-Pederson, 1996: 163).

While the Kenyan agricultural sector performed exceptionally well in the early years of independence, its performance in recent years has been dismal. From an all time high average growth rate of about 6 percent in 1962-1972 period, the sector dramatically declined to below 2 percent in the 1990s and, in the more recent past (1999- 2000), the sector has actually contracted (Odhiombo et al, 2004: 7). On the other hand, Nyangito et al note that the performance of the agricultural sector in the 1990s was dismal with the annual growth in the agricultural GDP averaging 2 percent compared with an average growth rate of 4 percent in the 1980s. During the 1980-1990 period, the sector had an annual growth rate of 3.5 percent. This impressive performance was attributed to three main factors: area expansion, use of improved production technologies, and a sound extension system. However, the performance of the sector has declined in recent years, averaging 2 percent in 1994-2000, and such a low growth trend has changed Kenya from being self-sufficient in most basic staples to a net food importer. This poor performance has manifested in widespread poverty in the rural population (Nyangito et al, 2004: 46).

The total population below the absolute poverty line was estimated at 11.3 million in 1994, of which 10.3 million are in rural areas. In rural areas the number of people

living in absolute poverty was estimated to have increased from 40.2 percent in 1982 to 46.4 percent in 1992. Within the urban areas, the incidence of absolute poverty was estimated at around 29.3 percent in 1992. By 1992 an estimated 11 million Kenyans, or about 43 percent of the entire population, were living below the absolute poverty line (Kipkemboi, 2000: 89).

In comparative terms, Ghana's performance was better-off than Kenya's, which may be due to a number of reasons, but one of the most crucial was Rawlings's leadership attitude towards the adoption of reform measures. The leadership element could plausibly be advanced as one of the defining variables in Ghana's successful implementation of reforms. With regard to agricultural reform outcomes, Nashir-Issahaku notes that although the statistics lack precision, the trend is nonetheless encouraging, and an resulted in an estimated increase in agricultural production of 3.6 percent in 1988, domestic savings from 62.5 billion cedi in 1987 to 84 billion cedi in 1988 (Nashiru-Issahaku, 6).

Although agricultural reforms may have increased the income of a few wealthy businessmen, most Ghanaians, who are rural dwellers, experienced the loss of their economic livelihoods which were grounded in peasant farming. Since poverty in Ghana is largely a rural phenomenon, it means that agricultural sector policies are crucial in any strategy of poverty reduction. Yet, government policy continues to emphasize the promotion of export trade at the expense of rural farming. As a result, between 1983 and 1994 the number of farmers below the poverty line in Ghana increased 4.5 times In the Northern regions which are agricultural intensive areas (Nashiru-Issahaku, 13).

The loss of economic livelihoods is defined by Ahmed and Lipton as the way in which people satisfy their needs, or gain their living, that income generation should be sufficient to avoid poverty, and preferably increase wellbeing for a typical worker plus dependants. This proved to be an unintended consequence for rural farm dwellers as postulated by the reform advocates.

Chief among this weakness, as argued by Alexandratos, is that policy reform programmes have not devoted as much attention and effort to the development of agricultural technology, infrastructure and human capital. In the era of adjustment the critical importance of non-price factors has been overshadowed by preoccupation with 'getting prices right' (Alexandratos, 1995: 10). Another critical reason was that the sector attracted high taxation from the government; "although intervention was ostensibly intended to raise the income of farm households, it often taxed farm income rather than support because it forms the main source of government revenue" (Caudouel and Paternostro, 2005: 147- 148).

Recent studies regarding high government taxation have been carried out by Krueger, Schiff and Valdes who demonstrated that the implicit and explicit taxation of the sector, export crop marketing for cocoa, coffee, cotton, as examples, has proved an especially effective means to tax agriculture by simply setting producer prices below world prices (Krueger, Schiff and Valdes, 1988: 255- 272).

With regard to the objectives of the Ghanaian government as set out earlier, Donkor maintains that the agricultural sector's growth between 1987- 1991 averaged at less

than 2 percent against the Medium Term Development Strategy's target of a 4 percent growth rate. The performance, even after 1991, did not improve. The official explanation for such dismal performance includes less than favourable rainfall patterns during the major cropping season. This statement, for Donkor, underlies the lack of success of agricultural reform since the launch of Ghana's Economic Reform Programme in 1983. That rainfall is still a major determinant of agricultural output is an indictment (Donkor, 1997: 168).

The government's objective of improving existing institutions and facilities such as agricultural research centres was not attained. This is reflected by the lack of research forecast regarding weather patterns during the policy implementation phase.

It is worth noting that the failure of this critical objective meant failure in other objectives as well. This is the case, to a large extent, because self sufficiency and increase in production hinge upon the successful improvement of existing institutions and facilities, chief among them are agricultural research centres.

Bawumia, on the other hand, posits that the reform outcome led to an increased average annual rate of 6.7 percent which was higher than the rate of real GDP in the 1990s, and that such performance contrasts sharply with the average annual growth rate of about 2.7 percent recorded for the agricultural sector as a whole (Bawumia, 1995: 61).

During the period of post-reforms until 1994, Ghana's GDP growth rate far surpassed that of Kenya. Table 7 and 8 below shows that during the period from 1991 Ghana's GDP growth averaged 5 percent in comparison to Kenya's 2.3 percent. The worst

growth rate for Kenya occurred between 1992 and 1993 with the GDP growing at 0.4 and 0.1 respectively. While Ghana's GDP fluctuated, it remained above that of Kenya at the end of 1994.

Table.5.4

GHANA AVERAGE ANNUAL GROWTH RATES OF SELECTED BASIC INDICATORS, BEFORE AND DURING THE STRUCTURAL PROGRAM (Percent)

GDP GROWTH RATE

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
1994											
	4.6	8.6	5.1	5.2	4.8	5.6	5.0	3.3	5.0	3.9	5.0
3.8											
	1973-83		1983-89		1990	1991	1992	1993	1994		
GDP Per Capita	4.4		1.2		2.0	4.7	-0.6	2.5	1.0		

Source: Issahaku AN. *The Political Economy of Economic Reform in Ghana: Implication for Sustainable Development.* (pp. 11).



Table.5.5

KENYA'S GDP GROWTH RATE

Year	GDP Growth Rate
1983- 1988	4.3
1988	5.1
1989	5.0
1990	4.3
1991	2.3
1992	0.4
1993	0.1
1994	3.3

Source: Grosh, B and Orvis, S 'Democracy, Confusion, or Chaos: Political Conditionality in Kenya p. 65.

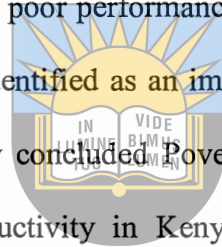
Despite Ghana's positive growth trend, the country's expenditure in the agricultural sector remained low. The notion of an 'agricultural paradox' appears to give credence to the general neglect of agriculture. The notion states that while governments appear

to commit themselves to agricultural reforms and development, there actually is little that is done in practical terms. Although publicly financed agricultural investments are of large and continuing developmental importance for growth and poverty reduction, yet development resources devoted to such investment have generally been small and have decreased in recent years (Bezemer and Heady, 2006: 6).

Striking a precarious balance between reform implementation measures and continued trend of 'urban bias', which the very same reforms sought to reverse, proved to be complicated for the government. This conflict of interest appears to be more prevalent during the implementation and outcome phase for it is where the reflection on government commitment to reform is demonstrated. With the trend of 'urban bias' in operation, the World Bank objectives of rural infrastructure development become compromised. Therefore, development through reforms is severely compromised in the case where 'urban bias' prevails; in this regard, Julie notes that "development cannot occur without the integration of the interests of the peasantry into state policies" (Julie, 2008: 6).

It is also worth noting that the experiences of both Kenyan and Ghanaian agricultural reform measures represent a different scenario than that envisaged by the World Bank regarding, the role of the state. The Bank postulates that governments can provide quality regulation, market information as well as the monitoring and prevention of anticompetitive behaviour. These actions, the Bank further contend, "must be scrutinized so that, for example rights are not assigned with bias toward one or another group, especially during periods of reforms" (Coudouel and Paternostro, 2005: 150).

With regard to the same issue, Stieglitz argues that policies which are notionally justified on distributional grounds may have other (for example, political) motivations. For Stieglitz, this should, in turn, make one suspicious of differential taxation; differential tax rates can be used to redistribute income not only from rich to poor, but also from poor to rich, from the politically powerless to the politically powerful, and from one region to another (Stieglitz, 1987: 50). Since sector is intricately linked to the rest of the economy, its performance affects that of other sectors and the overall wellbeing of the country as well. The poor performance of the agricultural sector and its declining productivity has been identified as an important determinant of poverty in Kenya. According to the recently concluded Poverty Reduction Strategic Paper (PRSP), declining agricultural productivity in Kenya has led to food shortages, underemployment, reduced income from cash crops and poor nutritional status, which has further reduced labour productivity (Odhiombo et al, 2004: 7).

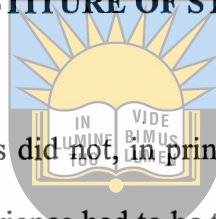


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With most of the objectives stated above not being met by the Kenyan and Ghanaian governments, there were clearly some constraints which impede the successful implementation of these reform measures. The following are the constraints outlined by both Kenya and Ghana's government reports on agricultural sector reforms. In Ghana, progress has been slow and the government opted not to outrightly privatize the Boards and that "they will [instead] be refurbished and subjected to tighter financial discipline" (Mosley, 1991: 175). By assuming this stance, Ghana demonstrated its willingness to reverse the urban bias and this was reflected in the country's performance of agricultural output to 3.8 percent between 1988 and 1990.

In Kenya, one of the conditionalities concerning the National Cereals and Producer Board was that it should retreat to the role willing buyer willing seller thereby releasing the bulk of the trade to private buyers. Despite the agreement, the Kenyan government failed to implement the terms of agreement. Kenya's failure to implement the terms of agreement could be explained by the inclination that, should such Boards be privatized, this would also affect their role of producer price fixing, thereby altering the source of the government patronage network.

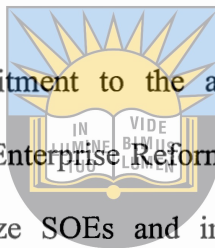
5.4 PRIVATIZATION AND DIVESTITURE OF STATE ENTERPRISES IN GHANA.



The Ghanaian privatization objectives did not, in principle, differ much from that of Kenya, although unique country experience had to be taken into consideration. Ghana shared with Kenya the inheritance of State Owned Enterprises from the colonial regime and both countries, after independence, had to grapple with post-independence challenges that state owned enterprises had to play. Heavy state intervention and the lack of accountability of these enterprises posed a great burden for the state. With the advent of Structural adjustment programmes, one of the preconditions for conditionality was the need for the adjusting countries to privatize their State Owned Enterprises. The Bank and IMF maintain that to turn these public entities into profit making bodies, and improve their contribution to economic growth, they have to be privatised. It has to be noted that privatization was not unique to African adjusting countries but was a global phenomenon.

For Mkandawire, privatization is intended to achieve at least three things. First, it is supposed to contribute to the bridging of fiscal budgets and the nationalization of

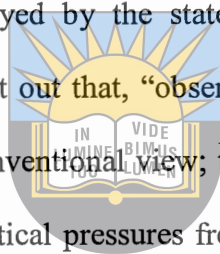
public finances by unburdening the African economies of overextended and corrupt state and parastatal structures that have putatively wrought havoc on public finances. The accruing sale is then expected to contribute to state revenue. Second, privatization is expected to lend greater efficiency to the allocation of resources, to generate less inflationary pressures and to stimulate competition. Third, it is supposed to free both domestic and foreign capital from the tentacles of corrupt and inefficient bureaucracies so that it can productively engage in the activities that have thus far been monopolized by the state (Cornia and Helleiner, 1994: 192).



The Ghanaian government's commitment to the adoption of privatization was reflected in its initiation of a Public Enterprise Reform Programme (PERP) in 1983. The main objective was to privatize SOEs and improve the efficiency of the remaining enterprises to be maintained in the public sector. Under the leadership of the PNDC, the government initiated the Divestiture Implementation Committee (DIC) which had five objectives: firstly, the changing economic environment, and that of many enterprises together with the original objectives for their creation was no longer valid. Secondly, effectiveness, in that there is abundant evidence that SOEs are not as effective in serving their clients as the private sector. Privatization, it is argued, would put SOEs under the test of the market place with a view of improving efficiency. Thirdly, public funds, public ownership of SOEs placed enormous demands on government resources regarding the management and financial support of various enterprises and resources the government no longer provides on the old basis. Fourthly, management style, in that public institutions operated using public resources. Decision making was said to be slow and the management of these enterprises were strangers to taking risks. Finally, fairness and equity, in that many of

SOEs are said to compete directly with the private sector. In effect, some businesses see their own tax monies being used to compete against themselves (Donkor, 1997: 128-129).

The above-mentioned objectives of privatization in Ghana, both in theory and in practice, sought to significantly curb state intervention, just as was the case in Kenya and ultimately all the adjusting Sub-Saharan African countries. It has to be noted that African experience and ultimately that of Ghana and Kenya does not present us with a unique trend regarding the role played by the state in the functioning of these enterprises. Shleifer and Vishny point out that, "observers of such enterprises stress two features inconsistent with the conventional view; they are highly inefficient, and their inefficiency is the result of political pressures from the politicians who control them. That most public enterprises are encouraged by politicians seeking votes to employ too many people (Shleifer and Vishny, 1994: 995).

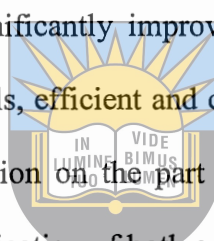


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Apart from the fundamental shift of emphasis and scope of these public enterprises, one of the key objectives of the World Bank was to shift and, to an extent, alter their dominance by politics, towards an economic driven domain, far from the political sphere. It should also be stressed that due to patronage politics, coupled with vested government interests in some of these parastatals, such a shift and altering of political dominance remained an ideal objective with far less tangible and positive results. Public enterprises are frequently asked to locate their production in politically desirable rather than economically attractive regions. For example, Shleifer and Vishny give credence to the insistence that this was not only a Kenyan and Ghanaian case or even that of the privatizing African states, but a prevalent trend amongst all

the privatizing countries. These writers note that “the decision to produce the Concorde rather than a jetliner with a broader market appeal was made by French politicians despite the evidence that the demand for the Concorde would be very low” (Shleifer and Vishny, 1994: 996). The French example presents us with a prevalent, venality on the part of the state which has made State Owned Enterprises inefficient and unable to fulfil their intended purpose.

In essence, privatization in Ghana was not only expected to operate within the competitive market, but also to significantly improve the plight of the country’s economy by raising employment levels, efficient and competitive service delivery, in addition to reduced levels of corruption on the part of the state or the enterprises themselves. Fig.8 provides a clear indication of both countries’ objectives with regard to privatization: it is quite interesting that Ghana has opted to omit the broadening of ownership, development of capital market, access markets, capital and technology, and raise revenue for its treasury. In fact, the reduction of administrative burdens forms one of the core rationale for the initiation of the privatization process in Ghana.



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Table.5.6
COMPARISON OF STATED OBJECTIVES: GHANA AND KENYA

COUNTRY	Reduce fiscal burden	Develop private sector	Broaden ownership	Increase economic efficiency	Reduce administrative burden	Develop capital market	Access markets, capital and technology	Raise revenue for treasury
GHANA	+	+		+	+			
KENYA	+	+	+					

Source: Campbell, O and Bhatia, A. 1998. *Directions in Development: Privatization in Africa*. (pp. 22).



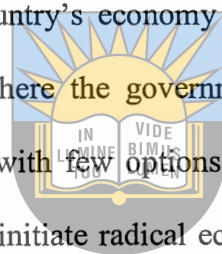
As part of the conditionality of the Structural adjustment programmes instituted by the World Bank and IMF, countries implementing these programmes had to privatize the majority of State Owned Enterprises (SOE). The main fundamental objective for privatization is to increase the efficiency and competitiveness of state owned enterprises.

The trend which prevailed in African states during the postcolonial period was to utilize state enterprises for private and personal gain. As a result, they became the burden of the state rather than the vehicle for economic advancement. The initiation of Structural adjustment programmes entailed privatization which intended to reverse the trend which prevailed in most African state owned enterprises. Although such a move was bound to create controversy and thereby challenge the vested interests it had, nonetheless, to be pursued if the economic situation was to be turned around.

The rationale for privatization varies, and its effect on efficiency and profitability also varies from country to country, and from context to context. As Hanke notes, a major impulse to privatize firms has come from the belief - whether mistaken or not - that the existence of large private firms concentrate power and wealth in the hands of the few and thus obstruct the commitments of many countries to qualify (Hanke, 1987). Thus, according to Hanke, the proponents of privatization emphasize efficiency, they see privatization as a means to increase output, improve quality, and reduce unit costs (Hanke, 1987: 3). In this context, it becomes clear that the notion of privatization was against the post-colonial African trend of monopolizing and dominating public sector enterprises. This is done against their continued lack of profitability and the burden on the state. Privatization, in this sense, ushers in new role players which are premised on market forces. As Van der Hoeven and Van der Kraaij observe, privatization forms one of the main pillars of the World Bank's structural adjustment programme policy towards the industrial sector in Africa (Van Der Hoeven and Van Der Kraaij, 1994: 232).

The main objectives of privatization are premised on the efficiency and profitability of such enterprises with fewer burdens for the state in terms of financing them. Clarke and Pitolis (1993, 7) identify the following objectives of privatization: reducing government involvement in industry; improving efficiency in the industries that are privatized; reducing the public sector borrowing requirement; easing problems of public sector pay determination by weakening public sector unions; widening share ownership; encouraging employee ownership, and gaining political advantage (Clarke and Pitolis, 1993: 7).

It should be noted that Ghana's post colonial economic strategy was centred on the dominance of the state in economic activities. This was the case right through to the Rawlings era, during which Structural adjustment programmes were introduced. Although the definition of privatization could be interpreted in various ways, it basically refers to the rolling back of the state and, in this case, selling public enterprises to willing investors in the private sector. The major reason for the selling of State Owned Enterprises in Ghana centred on their efficiency and ineffectiveness. Because the Ghanaian economy was in a state of severe economic decline, from the 1960s through to the 1980s, the country's economy could not afford further loss, especially in the economic arena where the government had control of the State Owned Enterprises. Ghana was left with few options; either to allow the economic situation of the Vampire state, or to initiate radical economic reforms which, in this sense, were going to roll back the state's hegemony in the economy, and allow market fundamentals to dictate their operations (Engberg-Pederson et al, 1986: 180).



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Although the Economic Recovery Programme commenced in 1983, the State Enterprise Reform only began in 1987, during the Second phase of the (ERP). With regard to this Hutchful notes that the ERP proposed a two year plan with three key elements; first, an overall policy framework dealing with the problems of the sector; secondly, a divestiture programme; and thirdly, the strengthening of state enterprise management, as well as the government ability to monitor enterprise performance (Engberg-Pederson, 1986: 183). The stipulation of conditions related to State Owned Enterprises further restricted state intervention and, in these conditions, required the imposition of financial discipline and restrictions on access to credit and the progressive reduction of access to government resources (including foreign exchange)

as well as a freeze on new hiring and staff reduction of 5 percent per year for 1987-88 (Engberg-Pederson et al, 1986: 187).

The introduction of the two year plan related to State Owned Enterprises gave a positive indication of the willingness of Rawlings's political regime to institute economic reforms, and thereby reverse economic decline. Such willingness was inconceivable during the post-colonial regimes whose interests centred on clinging to and remaining at the helms of power. The state owned enterprises were used to fulfil these interests.



Tangri observes that with the initiation of state owned enterprises a preliminary list of 32 State Owned Enterprises to be divested was published in May 1988; this was expanded to include a further 46 enterprises, including profit making ones (however, Tangri notes that these enterprises were to be made available for divestiture if investors expressed interest) (1991: 110). On the other hand, Rothchild observes that, in addition to the list of SOEs initially put up for sale, the government has indicated that it is prepared to accept bids on any SOE (185 in total), barring only the eighteen that have been declared strategic (such as Ghana Airways).

Table.5.7 GHANA'S DIVESTITURE PROCEEDS.

Year	Mode (m)	Number of Firms	Cedi Value
1989/90	Outright sale	3	1,280.3
1991	Sales of Shares	8	2,004.6
	Lease	3	171.0
Liquidation		22	274.4
Total		36	3,730.4
1991	Outright sale	7	8,020.6
	Sales of shares	3	205.4
	Joint ventures	3	2,275.6
	Total	15	10,501.6
1992	Outright sale	4	1,920.4
	Sale of shares	5	5,490.8
	Joint ventures	2	4,181.4
	Liquidation	2	0
	Total	13	11,592.2
1993	Outright sale	3	2,290.0
	Sale of share	3	3,210.0
	Joint ventures	3	3,920.0
	Liquidation	5	0
	Total	12	3,920.0
	Total cedi		
Approximate (US\$)			73.8
1994	Total		2,733.0

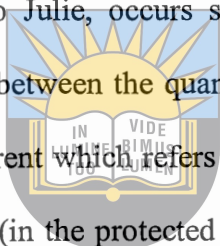


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Source: Donkor.K Structural Adjustment and Mass Poverty in Ghana. (p. 131).

However, the pace of both enterprise reform and divestiture was slow and fell behind the schedule agreed upon with the World Bank. Between 1987 and the end of 1991 only 49 enterprises were divested, and most of them through liquidation (Tangri, 1991: 110). The main reason for this, as Rothchild notes, is that, such reforms were not without adverse implications for the government also took steps to curtail expenditures by making people pay part of the costs of the much needed social services (Rothchild, 1991: 9).

As Hutchful notes, most of the enterprises had been allowed to deteriorate through mismanagement, political interference in their operations, unrealistic price controls to facilitate the collection of rent by political favourites, shortages of input, and lack of maintenance (Enberg-Pedersen et al, 1996: 182). In this regard, Julie identifies two types of rent; the first is the administratively generated rent which is “the value in excess of the market value which has been created by an administratively generated fixity in the supply of commodity”. In fixing low prices, the state distorts the equilibrium of the market in terms of the price, the quantity demanded, and the quantity supplied. This, according to Julie, occurs so that the administration can generate a rent due to the difference between the quantity available and the quantity supplied. Secondly; non-competitive rent which refers to increases in the earnings of firms created by the ability of prices (in the protected industry) to rise above a level that would be sustained if the industry were subject to competition (Julie, 2008: 4).



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Sandbrook attributes the general failure of public enterprises to generic factors such as contradictory objectives of profitability, employment generation, regional development, and subsidized goods and services, as well as factors specific to Africa or less developed countries in general, such as technical and managerial weaknesses, low wages and salaries, external shocks, foreign exchange shortages, and the high degree of political interference (Sandbrook, 1988: 84).

The results of privatization in Ghana are not as clear as one might wish, at least not when considering the objectives through which the country committed itself. One of the intrinsic characteristics of privatization is massive job losses as the process of changing and altering State Owned Enterprises to private economy-led development.

Although this is a logical outcome of privatization, Donkor notes that the nature of divestiture in developing countries, not excluding Ghana, makes the measure a very difficult one, not just from a politico-social angle but also from a technical viewpoint. As a consequence, Tangri, whose work on divestiture is considered one of the most authoritative, views divestiture as one of the most difficult of all adjustment measures (Donkor, 1997: 130).

The World Bank's adjustment in Africa Report echoes similar sentiments by noting that "the available data on the public enterprise sector is sparse and disappointing, showing no significant reduction in the number of enterprises, little improvement in their financial performance, unacceptable returns on investment, and an inability to meet demands for the cost-effective, efficient provision of public services. Divestiture is proceeding very slowly in small and medium-size firms and scarcely at all among large enterprises (World Bank, 1994: 103).

Ghana's pace of divestiture was slow and fell behind the schedule agreed upon with the World Bank. Between 1987 and the end of 1991 only 49 enterprises were divested, most of them through liquidation. There was a lack of coordination among agencies involved in the exercise. Progress was also slowed by a shortage of Ghanaian technical expertise to undertake the background work required to prepare for enterprise divestiture (Engberg-Pederson et al, 1996: 185).

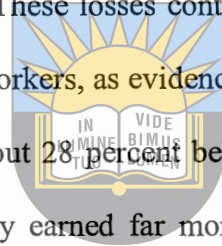
Ghana was a successful and large privatizer in the latter 1990s, and in 1993 the country passed a privatization law and established the Divestiture Implementation Committee to oversee the sale of State Owned Enterprise assets. The country

subsequently privatized food manufacturing enterprises (related to cocoa, one of its primary exports), breweries, state owned banks, and held a minority stake in its telecommunications. The total revenues received from privatization were valued at 21.6 percent. The economic gains of privatization, however, did not measure up to the massive loss of jobs. Although the real economic gains of privatization are a long term objective, the short term goals are the reduction of unnecessary expenditure, cost efficiency, and competitiveness.

With regard to this, Arthiabah notes that, privatization which is part of the Structural adjustment programmes has further led to high unemployment due to massive retrenchments of labour in the public sector. Officially, the number of retrenched workers stood at 100, 400, while unofficial estimates indicate that between 140, 000 and 180, 000 workers had lost their jobs by the beginning of 1990. By 1992 the TUC had lost almost 200, 000 members through retrenchments (Arthiabah 1994 and Panford 1997 and Bofo-Athur 1999: 49). It must however be noted that the bulk of government attention under the reform appears to have concentrated on economic issues rather than social issues. When social issues aroused they were handled on an ad hoc basis, with the consequences that these programmes brought little relief to the affected people. For instance, the massive labour retrenchments threatened the sustainability of the divestiture and Structural adjustment programmes and, upon noting this, the government hastily devised a redeployment programme termed Programme of Action to Mitigate the Social Cost of Adjustment (PAMSCAD) in 1987 so as to reduce the possible short-term negative impact of privatization and adjustment through retraining and financial business assistance. However, due to its

ad hoc nature and other planning deficiencies, the programme, which is known to have cost \$85.7 million, had a minimal impact (Appiah-Kubi, 2001: 229).

The failure of the redeployment programme to mitigate the negative social impact of divestiture, particularly among large numbers of the retrenched workers, coupled with the delays in the payment of severance allowances, deemed these retrenched workers the 'losers' of the privatization programme. These losses were compounded by the fact that the severance packages often amounted to less than the level negotiated in the common bargaining agreement. These losses contributed to a massive decline in the welfare of former public sector workers, as evidenced in the decline in the average income of retrenched workers to about 28 percent below the civil service pay, even though these workers had previously earned far more than the average income in Ghana (Appiah-Kubi, 2001: 221).



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Prempeh shares similar sentiments regarding the government's incompetence when he notes that "unless the government reverses its current exclusionary privatization policy, we are sure to inherit an economy whose corporate sector is dominated, even worse than before, by small cabal or cartel of insiders and their foreign and domestic cronies...., we must begin by democratising the opportunities for wealth creation and accumulation in Ghana rather than maintain and reinforce an economic system that concentrates such opportunities in the hands of few individuals and corporate interests" (Prempeh, 1999: 563). The inadequate use of attention given to the post-privatization regulations of privatized businesses, and the use of the divestiture programme as a political patronage instrument to reward the regime's friends, has

conferred limited success upon privatization in achieving its goal of enhancing efficiency, private sector investment and employment.

Consequently, Ghana's privatization outcome is unlike that of developed economies where there are competitive markets, organized and competitive labour markets, competitive labour markets, competitive managerial labour markets; institutionalized labour markets, protected and well-defined property rights, understood standards of business conduct, and usually relatively high standards of probity in public administration. By way of contrast, in developing countries, there exists imperfect competitive and incomplete markets, Regionalized and sometimes ethnically distinct labour markets, with appointment through connections, underdeveloped capital markets, management weakness and patronage in appointments, poorly protected property rights; underdeveloped business codes of behaviour, and relatively low standards of probity in public administration including cronyism and corruption (Parker and Kirkpatrick, 2005: 527).



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5.5 KENYA AND PRIVATIZATION

Heavy state involvement in the economic realm prompted donor countries as well as International Financial Institutions to urge the reforming countries to privatize their State Owned Enterprises. This, in turn, is expected to make these enterprises more competitive and efficient in their functioning and not pose a heavy burden on the state.

In Kenya, privatization was informed by a government report on the state and conditions of State Owned Enterprises, completed by the Government Finance

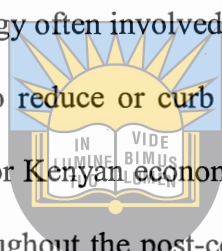
Ministry. The results of the report note that SOEs are highly inefficient due to the pressure imposed by government to carry out public, non-commercial functions and to absorb more workers than needed, as well as protection from competition, declining standards of management and financial control, in addition to the lack of a budgetary review. Thus, the report recommended forming a committee to oversee the divestiture of commercial enterprises to curb the inefficiency in these entities (O'Brien and Ryan, 2001: 502).

Muindi identifies the following objectives of privatization in Kenya: enhancing the role of the private sector in the economy by shifting more of the responsibility for production and delivery of goods and services from the public to the private sector, reducing the demand of public enterprises on the exchequer so as to improve the use of Kenya's scarce resources, and enhance the return on these resources by achieving greater efficiency, and broadening the base of ownership and enhancing capital market development (Muindi, p.5). In broad terms, the objectives of privatization in Kenya are, as stated by Oyieke, to reduce the fiscal burden, develop the private sector, and broaden ownership (Oyieke, 2002: 7).

This shift of economic activity from the public to the private sector posed a fundamental challenge for the government as an initiator of the process, and the conditions, and state of the public entities to be privatized. One has to bear in mind that shifting economic activity from state responsibility, to the private sphere created a conflict of interest as far as government vested interests in these parastatals are concerned. In this context, privatization was bound to meet formidable obstacles from the adjusting governments, not only of Kenya and Ghana, but to the general adjusting

African countries. Thus, by shifting economic activities from the public to the private sector, it was hoped that this, among other things, would increase efficiency and growth, and ultimately contribute to economic growth. (World Bank, 1994: 90).

Kenya's privatization programme did not differ much from that of Ghana nor did it differ much from that of other African adjusting countries. Although the country departed from a different economic growth strategy than that of Ghana, its implementation of State Owned Enterprise reforms does not offer a new experience. Like Ghana, Kenya's economic strategy often involved heavy state intervention in the economy, and privatization sought to reduce or curb such a trend. It is also worth noting that this was not a Ghanaian, or Kenyan economic problem, but was a general economic trend which prevailed throughout the post-colonial African state as it tried to grapple with its adaptation to the global capitalist economy.

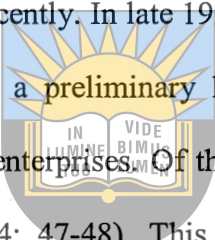


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The vested government interests in Public Sector Enterprises in post-colonial Kenya was not going to make the divestiture any less onerous. In a sense, it represented a rather makeshift prescription of the World Bank and the International Monetary Fund. Such an observation was evident as Muindi acknowledges that “during the 1970s, it became increasingly clear that government participation in the economy had grown well beyond the government's original intentions. Furthermore a large debt exposure among Public Enterprises resulted in increased vulnerability. Operating losses, and inadequate returns on investments further eroded the already weak capital bases of the Public Enterprises” (Muindi; 1). It appears, from the above analysis, that although Kenya saw the need to maintain Public Sector Enterprises, there was considerable

lack of accountability within their day to day operations, coupled with a lack of efficiency.

Thus Kenya’s privatization, like that of Ghana, centred on improving the accountability, and efficiency of their functioning. While in Ghana the privatization of State Owned Enterprises did not occur well into the second phase of reforms in 1986, Kenya’s reform of State Owned Enterprises occurred much later, in 1991. Swami observes that “although several attempts were made to restructure the public enterprise sector, progress was only recently. In late 1991, the government announced its intention to divest its interest in a preliminary list of 207 enterprises, while retaining ownership of 33 ‘strategic’ enterprises. Of the 207, it selected only ten for privatization by 1995” (Swami, 1994: 47-48). This slow pace reflected Kenya’s reluctance to fully endorse structural reforms. This trend, as documented by Swami, above, of the government opting to retain the majority of what it referred to as “strategic” enterprises, and the clear indication that five years after the process was initiated; only five enterprises were selected for privatization.



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FIG 5.2 KENYA’S SALE OF PUBLIC ENTERPRISE AS AT 1988

Country	Enterprise	Activity	Method/Procedure
Kenya			
(U)	Uplands Bacon Factory	Meat Processing	Private sale
(C)	N/A	Textile and sugar	Management
contract			
	Kenya Meat Commission	Meat	Management
contract			

Source: Vaan Der Geest W V (Eds.) 1994. *Negotiating Structural Adjustment in Africa*. p.137

Kenya's privatization reforms, as stated by Muindi, centred on the following key objectives" enhancing the role of the private sector in the economy by shifting more of the responsibility for the production and delivery of goods and services from the public to the private sector; enabling the private sector to enter into the areas of activity of the Public-Enterprises on an equitable basis; reducing the demand of the public sector on the Exchequer treasury so as to improve the use of Kenya's scarce resources, and to enhance returns on those resources by achieving greater efficiency in both private and public enterprises through greater responsiveness market signals and commercial criteria (Muindi, 3). On the other hand, it needs to be conceded that the privatization of State Owned Enterprises had its shortfalls, at least in the interim. As one of its main objectives, privatization is meant to increase the efficient functioning of such enterprises and such reforms entail massive job layouts, which trigger union reactions in the form of national strikes which further impair the efficient functioning of the country's economy. In elaborating upon this economic fundamental, Harsch notes that even the intervention measures initiated by the World Bank to minimize problems and increase benefits have fallen short of their objective, and these are; minimizing job losses; paying greater attention to political and social concerns; encouraging prospective buyers to outline future investment plans; linking privatization programmes with broader development and private-sector promotion strategies; broadening company ownership to include employees and the general public; ensuring a better follow-up and monitoring, and implementing transactions in a more open, transparent manner with greater involvement by unions and other concerned parties (Harsch, 1999: 7).

In this case, the state had to Grapple with, and achieve a balance in the social consequences of the World Bank and International Monetary Fund led structural adjustment programmes, as well as keeping up the momentum required of the implementation of such reforms. It appears that, unlike Ghana which had the political will of the Rawlings regime, Kenya was deprived of such political will. Apart from this, vested state interests in economic as well as political benefits posed a significant threat to Kenya's successful implementation of Structural adjustment reforms. In fact, Kenya's experience with privatization appears to fit Nigeria's former president Olusegun Obasanjo's observation that "state enterprises suffer from the fundamental problems of a defective capital structure, excessive bureaucratic control or intervention, inappropriate technology, gross incompetence and mismanagement, blatant corruption and crippling complacency" (Africa Recovery, 1999: 8).



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While it needs to be acknowledged that privatization also had some economic benefits, at least in the long term, for reforming African countries such benefits were either too slow in coming forth or the implementation itself had fault lines. With regard to this, a senior public enterprise specialist White Bhatia observes that "overall privatization has strengthened public finances by reducing the huge subsidies that the governments often had to sink into loss-making enterprises. Some enterprises, once privatized, have consequently gone out of business, if they are subjected to open competition, it is conceivable Campbell avers, that some will fail, there is no guarantee" (White and Bhatia, 1998: 8).

Kenya has been labelled a mixed reformer by the World Bank and International Monetary Fund, and its privatization programme did not shift from such analysis.

With regard to Kenya's divestiture, O'Brien and Ryan note that, overall, the initial

progress was slow because politicians could not agree on the objectives of the exercise and because powerful vested interests favoured keeping enterprises in the public sector (O'Brien and Ryan, 503). Such a trend was adopted for advancing, and furthering the interests of the political elite, as was the case in neighbouring Uganda. In this sense, privatization served to build a constituency of loyal supporters, and to further entrench and consolidate the interests of the ruling political elite (Pitcher, 2004: 388).

Leaders had significant interests in the continued control of these enterprises as a source of political power and jobs for constituencies, as they would provide a direct source of income from appointments to the boards of corporations, and would be easily exploitable sources of rent. Consequently, State Owned Enterprises continued to expand rather than contract, as was expected, accounting for 11 percent of GDP by 1990 (O'Brien and Ryan, 2001: 502).

It has to be noted that among the non-strategic public enterprises, the government fully, or partially, divested 168 enterprises of the original 207 public enterprises stated for divestiture. Of these, 54 were divested through pre-emptive rights; 22 through receiverships, 16 through liquidation; another 16 through competitive bidding; 10 through public flotation; 1 through management lay-out, and 29 tea factories were sold for tea farmers, 11 enterprises were partially divested (World Bank, 2001). Those Public Enterprises that were not privatized were declared 'strategic' by the government. With regard to this, Muindi notes that the government has defined Public Enterprises as strategic if they provide essential services or are considered key role-

players from the point of view of national security, health, and protection of the environment (Muindi,3)

Table.5.8

SUMMARY OF PRIVATIZATION METHODS USED IN KENYA.

Sale of Shares	Competitive sales	13
	Pre-emptive rights	96
	Public Floatation	16
Sale of Assets	Liquidation	36
	Competitive sales	17
	Direct sales	4
Other Methods	Management contract	2
	Debt/equity swap	1
	Others	3
TOTALS		188

Source: Oyieke Samuel, *Kenya Airways: A Case Study of Privatization*.p10

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The World Bank study, as shown in Table. 11 note that there were a total of 188 enterprises that were divested. From the above exposition, it has to be noted that the government's intention to pursue full privatization was lacking, and the justification for the government opting to retain those Public Enterprises which it terms strategic was not clearly defined. It would appear, from this, that strategic enterprises were those to which the ruling elite had vested interests and, as a consequence, had they been privatized; would have meant the loss of a resource-base within the government to maintain political patronage. As Cohen observes, it was clear to aid agencies that ethnic interests were a major reason for parastatal inefficiency and that such inefficiency was an important constraint on the promotion of economic growth. For

example, one of the major drains on limited budgetary resources was the poorly managed and heavily subsidized National Cereals and Producer Board, a parastatal that the government protected despite donor pressure because it benefited from powerful Kalenjins who had moved into large-scale grain production in the Rift Valley Province (Cohen, 3).

This gives credence to Boubakri and Claude Cosset's contention that most governments in Africa see in privatization an opportunity to spin-off loss-making enterprises and generate revenues in the short term. This explains why the list of privatization candidates in most African countries typically excludes profitable enterprises and sectors that would entail massive layoffs, and why most countries have privatized only the marginal or less politically significant State Owned Enterprises. For example, small and medium sized SOEs in manufacturing and services are the most likely candidates for privatization (Boubakri and Claude Cosset, 1999: 7). In Kenya, the privatization initiatives have been restricted to industrial and commercial sectors.

The Kenyan government has termed strategic Telecommunication, Railway and ports, power services, and Kenya Airways - which was later privatized. This stop and go attitude assumed by the Kenyan government meant that effective privatization was not going to be realized. To draw a clear line of distinction regarding the impact of privatization in Kenya is often an onerous task, taking into consideration that some of the public entities were still in the process of divestiture after 1994.

The often stated objectives of privatization, such as developing the private sector, broadening ownership, reducing the fiscal burden, increasing economic efficiency, and reducing the administrative burden; some of these objectives, according to Oliver and Bhatia, are contradictory in principle and hence achieving them in a single transaction is difficult (Oliver and Bhatia, 1998; 45). Parastatal enterprises in Kenya used to account for a big share of public sector employment, but parastatal reforms resulted in considerable personnel reduction in these enterprises. The size of the civil service has also been reduced through voluntary early retirement schemes and retrenchment programs. This voluntary restructuring has resulted in labour lay-offs in the banking, textile, leather, motor and other industries (Oiro et al, 2004: 9).



Concerning the improvement in performance, brought by privatization, the evidence is quite contradictory. According to studies by Adams et al 1992, Lorch, 1991, Megyery and Sader 1997, Bishop and Kay 1989, Galal et al 1992, and Donaldson and Wager 1995, there was no significant difference between privatized and non-privatized firms. However, studies by Kikeri et al 1992, Meggison et al 1994, Oliver and Bhatia, 1998, and Hachette and Luders 1993; found a general performance improvement post privatization. Writing on the same issue, Rowthorn and Chang 1993, argued that efficiency improvement could be misleading, for them the answer lies not in economic efficiency but in politics and the politically accommodating behaviour of governments. In his analysis of privatization, Khan notes that almost all the studies, i.e. those of Assad (1999); Bhaskor (1992); Bhaskor and Khan, (1995); Cam (1999); De Luca (1997); Plane (1997b); Rama and Mac-Isaac (1999); Tansel (1998a); (1998b); White and Bhatia (1998), find that privatization has led to retrenchments and layoffs (Khan, 2002: 112).

CHAPTER SIX

PRESENTATION OF FINDINGS

THE IMPACT OF THE IMF/WORLD BANK STRUCTURAL ADJUSTMENT PROGRAMMES ON THE DEVELOPMENT OF GHANA AND KENYA.

6.1 THE STATE: ADMINISTRATIVE CAPACITY, AND ECONOMIC DEVELOPMENT



State capacity, especially as it applies to African states, has had far-reaching consequences in defining the level and propensity of development in post independence Africa. Newly acquired states in post-colonial Africa have had to grapple with weak and bloated bureaucratic structures. Moreover, such structures had to carry the structural burden of implementing the World Bank and International Monetary Fund-led Structural adjustment programmes. With such a burden, African adjusting states also had to strike a balance between the prevalence of statism and the curtailment of state intervention as prescribed by Structural adjustment programmes' conditionalities. As has been correctly challenged by Van der Hoeven and Van der Kraaij, in the previous chapter in their question: "how such a state could be persuaded to unwind its own creation?" (Van der Hoeven and Van der Kraaij, 1994: 25).

The capacity of the state plays a crucial role in policy implementation and development as envisaged by modernization. The state requires effective bureaucratic structures to carry out the reform policy measures necessary for development.

Bartels argues that “states must possess the capacity to engage in governance and fulfil the numerous and multidimensional requirements demanded of government” (Bartels, 2003: 8). Migdal notes that capable states are those that are able to penetrate society, regulate social relationships, and extract and appropriate resources (Migdal, 1988).

Skocpol similarly identifies five characteristics that underpin state capacity. She posits that capable states must possess sovereign integrity, stable administrative-military control, loyal and skilled officials, financial resources, and authority and organizational means to deploy its financial resources. On realizing the crucial role of the administrative and state capacity, the World Bank’s long-term study on Sub-Saharan Africa (Sub-Saharan Africa: From Crisis to Sustainable Growth) demonstrated a realization that it was necessary to go beyond policy change toward construction of a more propitious context for reform. It incorporated many of the lessons derived from the experiences of the 1980s, above all, the desperate need for institutional change and for a slower, and more sequential transition that recognized the socio-political obstacles to change. Its major themes were that Africa requires an enabling environment, a greater technical and administrative capacity (both state and private), and better governance (Harbeson and Rothchild, 1995: 54).

The report sought a second-generation development strategy in which the state listens carefully to the market even if it does not precisely follow the market. This strategy would attempt to move away from the predatory and inefficient mercantilism of the first thirty years of independence toward a more productive and efficient, though

limited, version of what some have called “benign mercantilism”, that is, toward a more balanced tension between the state and the market (Harbeson and Rothchild, 1995: 56). The report represented a prudent and more flexible approach taken by the Bank, as most African adjusting countries lacked the administrative capacity and, in this case, Kenya and Ghana demonstrated a feeble administrative capacity which placed some significant limitations and constraints on how well they can perform and grow their economy.

In recognizing the same approach, Clapham notes that World Bank/IMF Structural adjustment programmes were premised on ‘good governance’, and that this was a matter of creating an effective government machinery, which would replace the ‘soft state’ with its inflated bureaucracy geared towards the needs of political patronage, by a lean hard state which employed the limited staff capacity needed to provide essential services within a privately managed capitalist economy (Clapham, 1996: 814). With the above-mentioned definitions of state capacity it could be plausibly argued that state capacity represents one of the indispensable features upon which the success of economic reforms rest. The capacity of the state can either impede or facilitate economic development, and in African countries where economic development and growth is much needed it becomes crucial for bureaucratic structures to be strengthened in order to achieve their intended goal of economic growth and development.

With regard to the case of devaluation, Vajpai has shown that the IMF devaluation strategy may be misplaced and inappropriate depending on the economic context in which it is initiated. Justification for this hinges on the structural capacity and weak

bureaucratic structures within the reforming countries. 'Public choice' economists argue that a certain amount of overvaluation may be efficient in the early stages of the country's development. They posit that developing countries often lacked the administrative capacity to collect more complex forms of taxation, which could involve considerable bureaucratic costs (Lofchie, 1990: 67).

Given the underdeveloped, 'soft' state of African states, with burgeoning bureaucratic structures, the additional introduction of administrative policy without proper sequencing may overburden its already weak status. The Bank and the IMF has, contrary to public choice, advocated complete devaluation, arguing that any amount of overvaluation introduces harmful distortions to the economic system since it lowers the production of tradables, discourages foreign investment and leads to the misallocation of scarce resources. This has been a trend exhibited by both Kenya and Ghana with regard to exchange rate reforms. Ghana's overvaluation of its national currency has led to the emergence of the 'black market' and the prevalence of 'kalabule'(denoting corruption) where conventional business practice methods were circumvented. In Kenya it has led to gross misallocation of state resources in favour of the urban constituency, with ethnic polarization.

It has to be noted that the trend in most African countries was that exchange rates were administratively controlled, as opposed to being left to the markets, which further overburden the already weak bureaucracy. Herbst, for example, notes that the administrative control of exchange rates also plays an important role in providing goods to political clients in many countries, making it extremely difficult for some African leaders to enact reforms (Herbst, 1993: 38). Herbst's contention has been

more prevalent in Kenya than in Ghana, as the following discussion on patrimonialism and clientelism suggests.

Similar occurrences have taken place in the domain of agriculture in both countries, as it touched at the core of their structural weaknesses, capacity to implement agricultural reforms, and their leadership attitude. In this sector, the creation of state marketing boards further impedes development as they extract surplus profit for subsidizing urban development. This has seen the emergence of urban bias. In this regard, the Bank notes that “there is a real threat that the more advantaged and articulate elite groups in African countries will forestall a redistribution of benefits accruing to the poor”, the Bank further posits that “to raise incomes of producers, macroeconomic reforms need to be accompanied by agricultural reforms so that farmers, rather than agricultural marketing boards, acquire the benefits of real devaluation” (World Bank, 1994: 209).

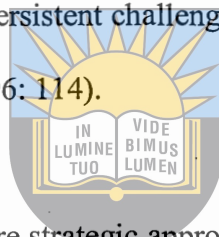
Structural problems affecting the agricultural sector, for both Kenya and Ghana, which were largely ignored, include primitive marketing and road systems that add substantially to financial costs. Bearing in mind that 70 percent of the farm retail price is accounted for by transportation costs, and this further depresses farmer income by limiting their marketing options and bargaining power (Engberg-Pederson et al, 1996: 163). Because Kenya and Ghana did not meet their respective objectives, the above-mentioned administrative weakness also contributed to the slow growth in such a crucial sector. This has also translated into sluggish growth trends, with Ghana only slightly out-performing Kenya, in comparative terms.

Because of the immense structural burden imposed by enacting reform measures, most African governments readily implement policies that were visible and important to the International Financial Institutions as well as administratively simple to enact. Devaluation, trade reforms, and subsidy reductions are central examples. African government's commonly temporized on complex reforms that were difficult to monitor, such as state enterprise reforms or financial liberalization. Moreover, the pace of reforms was erratic, with frequent lapses or the suspension of some packages (Lewis, 1996: 106).



In comparative terms, Ghana performed better than Kenya despite these structural challenges. This can be attributed to the fact that Ghana has managed to integrate Structural adjustment programmes into the country's main policy framework under the Economic Recovery Programme 1 and 2 (ERP). Kenya, on the other hand, had no policy framework through which to integrate reform measures and, as a result, its reforms were characterized by frequent lapses and the stop and go approach. Although economic stabilization has managed to yield relative improvements in economic performance, Lewis has placed an emphasis on caution, in this regard, by noting that the administrative capacity of most African governments generally falls below the threshold for fostering sustained growth. In this sense, technocratic cadres remain thin and politically vulnerable throughout much of Africa, and senior policy makers are not supported by effective administration, and that policies are diverted at the top by particularistic demands and are obstructed at lower levels by bureaucratic resistance or disarray (Lewis, 1996: 113).

A central consequence of institutional weakness has been an inability to move beyond the narrow goals of stabilization to a more enduring agenda of Structural adjustment. The effort to shift resources to productive sectors of the economy, however, entails better administrative coordination, budgetary control, information, and infrastructural development. Even Ghana, the country labelled a successful reformer by the World Bank, revealed clear limitations to growth in its economy which, according to Lewis, cannot be attributed simply to shortages of foreign exchange or external investment. He went on to note that the Economic Recovery Programme undeniably fostered a revival of institutional faculties, yet persistent challenges of state capacity represented a clear and present reality (Lewis, 1996: 114).



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Lewis concludes by noting that, a more strategic approach that is oriented towards the rehabilitation of state capacity in Africa is all the more needed. By the same token, donors must accept a more active role on the part of the state and they should be more flexible in administering conditionality, especially in areas such as fiscal balance, debt service, and public sector reforms (Lewis, 1996: 115). In recognizing the salience of institutional capacity, Clapham observes that the failure of reform policies could be apportioned to the state's administrative capacity. He notes that such policies depend on the state's ability to carry out a limited range of functions in an effective and impartial way. Such functions include the maintenance of a favourable political and economic environment through the assurance of public order, the stability of the currency, and the legal and institutional framework necessary to encourage long-term investment. If these functions cannot be efficiently performed, as is unquestionably the case in most African states, development policies which depend on them will fail (Clapham, 1996: 809).

The observations of Clapham as well as Rothchild and Heaberson give credence to the general lack of institutional capacity of African states. This weakness has had far-reaching consequences and placed severe limitations and constraints on the extent to which such states can achieve economic growth. If the institutional capacity represents a clear and present reality for reforming states then the ultimate goal of economic development, which is expected to be driven by such institutions, becomes even more elusive. However, the Bank's realization of a strong and effective institutional capacity within Third World African states represents a step in the right direction.



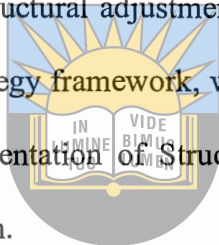
6.2 THE IMF/WORLD BANK POLICY CONDITIONALITIES: PROMISE AND PERFORMANCE, AND THE BURDEN OF RESPONSIBILITY. A DISCUSSION OF THE CONSTRAINTS ON AND LIMITATIONS OF REFORM ENACTMENT.

Structural adjustment programmes, as advanced by the International Monetary Fund and World Bank, were initiated with the objective of reviving ailing African economies, thus leading them towards a market-led developmental paradigm guided by the markets, far from the statist paradigm envisaged by most post-independence African countries. As discussed in chapters Four and Five, these programmes were accompanied by strict conditionalities on the part of the receiving countries.

Such conditionalities include the reduction of the role of the state in those economic activities deemed under the control of the markets, devaluation of the country's national currency, public sector reforms including privatization. Such conditionalities

affect each adjusting country uniquely and, on comparative terms, Ghana and Kenya proved the case in point.

On the whole, Ghana and Kenya undertook Structural adjustment programmes in the hopes of reviving their ailing economies. Although the conditionalities were roughly similar, the will to implement Structural adjustment varied for both countries. Under Rawlings, Ghana's reform measures were guided by the initiation of the Economic Recovery Programme which was a systematic, comprehensive policy which integrated government policy with structural adjustment programmes. Kenya, on the other hand, lacked such a policy strategy framework, which was soon to be reflected in the country's intermittent implementation of Structural adjustment programmes which assumed a stop and go approach.



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In light of this, the enactment of reform measures, and their success or lack thereof, in both Kenya and Ghana, appear to hinge on factors such as the political will of the government to implement such reforms, competitive bargaining, reform sequencing, strict and inflexible conditionalities, and the detached stance assumed by the World Bank and the International Monetary Fund. Political will, as one of the critical preconditions in the successful implementation of Structural adjustment, appears to be more pronounced in Ghana than in Kenya. This was despite Ghana having been one of the most politically unstable countries, in contrast to Kenya. As Ghana proved, there appears to be a strong correlation between political will and compliance with conditionality. Drehe enunciates this point when he notes that there is some evidence that compliance with conditionality increases growth rates. However, he cautions that such compliance is quantitatively small, as conditions imposed by outside actors

might be circumvented, even if the officially agreed criteria has been met (Drehe, 2003: 18).

In the overall performance of conditionality implementation, the World Bank has labelled Kenya a 'Mixed reformer'. The Bank's ratings on a macroeconomic policy stance and improvement from the beginning of 1980 to 1994 labelled Kenya as having achieved a 0.1 percent index score, and as having achieved minimal improvement in macroeconomic policy. While Ghana, on the other hand, scored more than 2 percent, was labelled as having made large improvements, and a successful reformer (World Bank, 1994: 58).



Apart from the political will, Clapham postulates that African countries and external mentors were in a competitive bargaining position in which winning, from the African state's point of view, consisted of getting as much adjustment aid as possible from International Financial Institutions and other donors. This is a view diametrically opposed to the ideology underlying adjustment, which regarded it as an essential set of reforms from which African states themselves would ultimately be the main gainers, and treated the accompanying aid package as the sugar coating required to get the patient to swallow the pill which would eventually make him better. African governments have indeed become as adept at evading the demands of International Financial Institutions as their people were when evading those of their own governments (Clapham, 1998: 177).

This competitive bargaining of extracting as much financial aid as possible from the World Bank and IMF allowed the aid receiving governments to mismanage,

misallocate, and divert such financial aid from where it was supposed to make meaningful impact, to benefiting the elite in top government echelons. As Bayart acknowledges, Structural adjustment programmes imposed by International Financial Institutions make it all the more necessary for desperate African rulers to divert the funds provided by such programmes into the all-important struggle for political survival (Bayart, 1993: 84).

This was a trend most prevalent in Kenya as the foregoing discussion on clientelism and patronage relations suggests. Another critical aspect which impedes the enactment of Structural adjustment is the proper sequencing of policy reforms. With regard to this, Nyangoro and Shaw observe that it appears that the major obstacle to implementing Structural adjustment programmes in different African countries was not the undesirability of the programmes themselves to the African governments, but rather the phasing in or sequencing of the various elements of Structural adjustment programmes which is fundamentally a political question. The IMF, for the most part, invariably insisted on implementing the whole package, while African governments sought to cushion the effects of policy reforms through a phasing process” (Nyangoro and Shaw, 1992: 17).

In this respect, the Kenyan government contested the implementation of reforms by insisting on the sequencing and phasing option. In this regard, the Kenyan Interim Poverty Strategy Paper also cites the poor sequencing of the liberalization process, inconsistencies in policy, the poor institutional and legal framework, and a lack of effective coordination as crucial to Kenya’s dismal performance in Structural adjustment programmes (Interim Poverty Reduction Strategy Paper, 2000: 19- 20).

This was more pronounced in the enactment of agricultural reforms where the notion of urban bias and agricultural paradox prevailed.

Similar trends in Ghana were also reflected in privatization, which resulted in poor coordination; the objectives of divestiture proceeds were not fully met. In this regard, O'Brien and Ryan note that initial progress was slow because politicians could not agree on the objectives of the exercise and because powerful vested political interests favoured keeping enterprises in the public sector (O'Brien and Ryan, 2000: 503). In Kenya, there was also a serious ethnic dispute between the Kikuyu and Kalenjin ethnic groups with parastatals forming the basis of a powerful patronage system controlled by the governing elite. Therefore, any change of ownership of these firms would seriously threaten and compromise the urban-business constituency. Statistical data shows that although several attempts were made to restructure public enterprises, progress was made only in the late 1991. Of the 207 enterprises scheduled for privatization, the government retained ownership of 35 strategic enterprises, and by 1995 only five were in the process of being privatized (Swami, 1994: 47- 48).

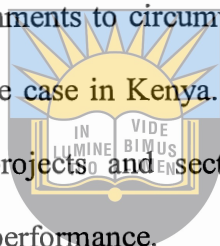
Apart from political interference in public enterprises, the poor performance of privatization in both Kenya and Ghana appear to centre on programme coordination, and proper policy frameworks to oversee the privatization process. In Ghana, such a policy framework took the form of a Divestiture Implementation Committee which oversaw the sale of State Owned Enterprises; however, Kenya lacked such a framework and thus the outcome of privatization was dismal.

Other critical aspects of the implementation of Structural adjustment are the strict and inflexible conditionalities. The World Bank and IMF insisted on the implementation of the whole package, ideally, without default. The mere implementation of reform measures on the part of the receiving countries, without them owning such policy reforms, leaves one with little doubt that the inflexibility in terms of conditionalities would be closely contested by the adjusting countries.

In the case of devaluation, both Kenya and Ghana had overvalued exchange rates at the time of reform implementation. Vajpai cautions in this regard by claiming that the Fund-led devaluation strategy may be misplaced and inappropriate, depending on the economic context through which it was initiated. He observes that the Fund seemed to be convinced that by the time countries initiated stabilization programmes there was an overvaluation of exchange rates, and currency devaluation was the first prescription (Vajpai, 1993: 993). Taylor took this further by noting that exchange rates are not always out of line at the beginning of the adjustment programme, and that a sudden devaluation might only aggravate the existing problem of macro instability in the economy (Taylor, 1998).

In this regard, adjusting countries should be evaluated whether their exchange rate is overvalued at the beginning of the adjustment programme. This will, in turn, foster flexibility with regard to devaluation as one of the conditionalities. In this regard, Kenya and Ghana's devaluation could have been correctly administered for both countries' national currencies were overvalued, in comparative terms, against the Dollar.

In light of the above, the burden of responsibility for failure to successfully reform or lack of economic growth and development appear to be two-pronged. Just as some of the burden of responsibility could be apportioned to the state and its administrative capacity to implement reforms, in both Kenya and Ghana respectively, some of the burden of responsibility could also be apportioned to the World Bank and IMF themselves as both creditors and initiators of Structural adjustment programmes. In most cases, as the data shows, the World Bank and IMF appear to be in the dark about projects already in progress within the reforming countries. This detachment seems to have provided much room for governments to circumvent the enactment of reforms. More often than not this has been the case in Kenya. However, when there is close monitoring and liaison with the projects and sectors, there appears to be an improvement in implementation and performance.



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A case in point was the establishment of the Permanent Secretary for Agriculture by the World Bank in Kenya which acted as the watchdog through which the Bank could liaise with the Kenyan government on policy matters relating to agriculture; this yielded positive results for cash and food crops (Lofchie, 1993: 404). Similar structural frameworks could be initiated to take on the role of close monitoring and liaison with reform implementation in various adjusting sectors, rather than leaving all the responsibilities to be enacted by the respective adjusting governments. Moreover, it would also engage the Bank and IMF on the implementation level rather than involving them in policy conception and evaluation. In fact, such structures could all the more assist with attaining credible data during the evaluation phase.

6.3 IMPACT OF STRUCTURAL ADJUSTMENT PROGRAMMES ON PEOPLE'S LIVES: KENYA AND GHANA.

As Structural adjustment programmes were initiated with the sole objective of improving the ailing economic predicament experienced by most Sub-Saharan African countries, including Kenya and Ghana, their successful enactment was met with grave concerns on the part of the receiving adjusting countries. The limitations and constraints on economic growth, in both Kenya and Ghana, were reflective of the immense structural burden imposed by the adoption of Structural adjustment programmes on these already weak bureaucratic structures. This had negative consequences for the majority of the poor people where such policies were supposed to make a meaningful impact. Although the adoption of policy reforms could not be labelled a complete failure, with minimal economic improvements, they nonetheless managed to redirect developmental policy towards a more market-led capitalist paradigm.



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Any initiation of policy, and its implementation and effects, is bound to have both positive and negative consequences. However, its viability and credibility hinges on the quantity and quality of positive gains and, in this regard, reform measures could not be labelled as not having made a valuable impact on the adjusting countries.

With regard to currency devaluation, minimal economic growth occurring after devaluation, and the commodity prices set in market standards, in this situation, the most vulnerable population group which, in most cases, resides in rural areas are the most affected. Moreover, the production process in both Kenya and Ghana is concentrated on small peasant farmers, who provide an income for the majority of the

population, will be hurt by such high prices, and thus affect income distribution to vulnerable population groups.

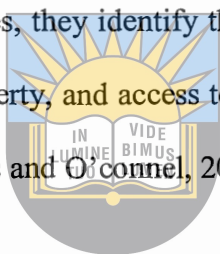
In the case of privatization, the cut in public expenditure was drastic in the health and education sectors of both countries. This led to the introduction of user-charges which had serious consequences for the quality of social service provisions. In Kenya, evidence shows that the introduction of user-fees resulted in a fall in school attendance and the postponement of treatment in health care services. In this respect, budget cuts and the initiation of cost-recovery measures in health and education have affected the most vulnerable population groups (Centre for Development Research, 1995: 28).



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The economic gains of privatization in both Kenya and Ghana did not measure up to the massive job losses. With regard to this, Arthiabah contends that privatization further led to high unemployment due to massive retrenchments of labour in the public sector. Officially, the number of retrenched workers stood 100, 400, while unofficial estimates indicate that between 140, 000 and 180, 000 workers had lost their jobs by the beginning of 1990. The Programme of Action to Mitigate the Social Cost of Adjustment (PAMSCAD) which was initiated to reduce the possible short-term negative impact of privatization through economic interventions such as retraining and financial business assistance did not achieve its primary objective due to planning deficiencies. This failure had a negative social impact on the general lives of the people, particularly among the large numbers of the retrenched workers who suffered the greatest loss through privatization (1994: 56).

In Kenya, public enterprises used to account for a big share of public sector employment but parastatal reforms resulted in considerable personnel reduction in these enterprises. The size of civil service was also reduced through voluntary early retirement schemes and retrenchment programmes. This voluntary restructuring has resulted in labour lay-offs in the banking, textile, leather, motor, and several other industries (Oiro et al, 2004: 9). With regard to the impact of privatization on the general population, and especially poor households in Kenya, there has not been much research in this area. However, Calagas and O'Connell note that when people are asked about poverty, in the majority of cases, they identify the lack of access to safe clean water as one of the key causes of poverty, and access to clean water as one of the top priorities in reducing poverty (Calagas and O'Connell, 2000: 2).

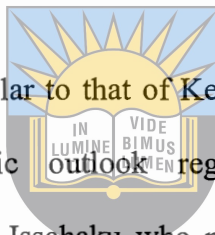


In agriculture, for both Kenya and Ghana there was not much improvement, considering that both countries' performance indicators did not reach the pre-adjustment period. Agriculture in both countries represented a key sector in which large a number of people are employed, and rural peasant farmers were the main drivers of this sector. The levels of poverty, in most cases, are more or less determined by the performance of the agricultural sector in most African countries. This has been the case because most Sub-Sahara African countries lack commodity diversification and depend primarily on export crops such as cocoa in Ghana, sisal and coffee in Kenya.

In the whole, Kenya's performance in agriculture averaged at 2 percent at the end of 1994, and such a low growth performance has changed Kenya from being self-sufficient in most basic staples to a net food importer. This poor performance has

manifested in widespread poverty in the rural population. The total population below the poverty line in 1994 is estimated at 11.3 million of which 10.3 live in rural areas.

In rural areas the number of people living in absolute poverty was estimated to have increased from 40.2 percent in 1982 to 46.4 percent in 1992. Within the urban areas, the incidences of absolute poverty were estimated at 11 million Kenyans; about 43 percent of the entire population were living below the absolute poverty line (Kipkamboi, 2000: 89).

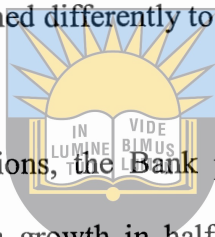


In Ghana, the trend was roughly similar to that of Kenya although there were some improvements. A more pessimistic outlook regarding Ghana's agricultural performance is portrayed by Nashiru-Issahaku who notes that poverty in Ghana is largely a rural phenomenon, yet the government continues to emphasize the promotion of export trade at the expense of rural farming. As a result, between 1983 and 1994 the number of farmers below the poverty line in Ghana increased 4.6 times in the Northern regions which are agriculturally intensive (Nashiru-Issahaku, 13).

The loss of economic livelihoods for rural farm dwellers; defined by Ahmed and Lipton as the way in which people satisfy their needs, or gain their living, that income generation should be sufficient to avoid poverty, and preferably increase the wellbeing for a typical worker plus dependents, proved to be an unintended consequence as postulated by the reform advocates. As argued by Caudouel and Paternostro; "although intervention was ostensibly intended to raise the income of farm households, it often taxed farm income rather than support it because it forms the main source of government revenue" (Caudouel and Paternostro, 2005: 147).

Ironically, and unfortunately, growth and development in such an environment becomes severely constrained and limited, as averred by Julie who states that development cannot occur without the integration of the interests of the peasantry into state policies (Julie, 2008: 6).

On the controversial issue of whether Structural adjustment programmes hurt the poor, the World Bank posed the following two questions; would the poor have benefited from less adjustment? And, to the extent that adjustment benefited the poor, could policy reforms have been designed differently to have benefited the poor more?



In providing answers to such questions, the Bank postulates that adjustment has contributed to faster GDP per capita growth in half the countries examined in its report (including Kenya and Ghana), and that there is every reason to think it has helped the poor based on the strong linkage between growth and poverty reduction elsewhere in the world (World Bank, 1990). The Bank further contends that the poor would have benefited from more adjustment, not less. However, it cautions that “the gains from growth may well have benefited the poor, and especially the rural poor, disproportionately”, the growth rates attained thus far are still not enough to reduce the incidence of poverty, and public expenditure programmes are far from focused on the basic services essential to improving the welfare of the poor (World Bank, 1994: 209).

In comparative terms, Ghana’s GDP from post-reform until 1994 surpassed that of Kenya, while Ghana’s growth rate averaged 5 percent than Kenya’s 2.3 percent. The dismal growth rate for Kenya occurred during the period 1992 to 1993, with GDP

growing at 0.4 and 0.1 percent. While Ghana's GDP fluctuated, throughout the adjusting years, it remained above that of Kenya at the end of 1994 time period as noted in Tables 7 and 8 in page 154 and 155 (Grosh, B and Orvis, S. 1996-7: 65).

In essence, as far as economic growth performance and the enactment of Structural adjustment programmes are concerned, Ghana out-performed Kenya. However, for Ghana, such a performance did not translate to the betterment of ordinary people's lives especially for rural peasant farmers, as well as rural households where poverty prevails. Such a trend has been clearly reflected by the small percentage change in the number of people living in poverty within rural households, 79.5 and 72.4 respectively. Similar trends also occurred with regard to urban poverty which stood at 26.7 and 30.3. Kenya on the other hand made some improvements regarding poverty indices, with rural poverty at 70.2 before reforms measures, and 60.2 after reforms, and urban poverty at 26.2 before and 24.3 after reforms (World Tables Various years).

Economic growth and economic development are two distinct trends, which do not necessarily go together. When economic growth does occur, as Ghana's case proved, it does not logically translate into economic development and while economic growth is short-term focused, economic development is a long-term scenario. Rodee defines economic growth as a steady process by which the productive capacity of the economy is increased over time to raise levels of national output and income, while economic development denotes the process through which economic growth is distributed to benefit the majority of the population (Rodee et al, 1985: 235). With regard to Rodee's definition, although there is relative difference in economic performance and growth in both Kenya and Ghana, in relation to Structural

adjustment programmes, there appears to be a common trend regarding economic development. As both case studies in Kenya and Ghana suggest that economic growth and positive performance over a period of time does not necessarily and logically translate into economic development. Although Ghana, in comparative terms, has been pronounced as a better reformer than Kenya by the World Bank, it has not been successful in turning such positive growth trends in the overall economic development towards benefitting the general population.

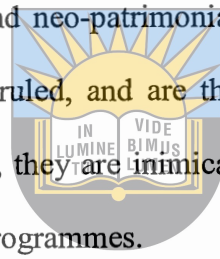
Economic development occurs when the benefits accrued from growth indices in the economy translate into changing the ordinary lives of the people. When there are more hospitals built, increased enrolment of the school going age in primary, secondary, and university level, provision of clean water and sanitation to the majority of poor households, especially in rural areas, and construction of roads, then economic development as envisaged by Rodee takes place. When the above developmental process takes place, it is directed towards the improvement of the quality of people's lives.

This contention has been reflected in the trickle-down economic benefits for the people at large. From the period under review, 1980 to 1994, when such a definition is taken into consideration, economic development is strongly linked to the general population of the country, and for any meaningful development to occur, it has to incorporate, embrace, and integrate the majority of the population, especially the poor, to the mainstream economy. Although there was a difference in both Kenya and Ghana regarding their economic performance before and after Structural adjustment

programmes, such an improvement was quantitatively small and, at best, mixed without any significant change to the ordinary lives of the people.

6.4 THE INFLUENCE OF PATRONAGE AND CLIENTELISM POLITICS ON THE STATE'S ABILITY TO IMPLEMENT POLICY REFORMS.

The ability of the state to carry out reform measures depends, in part, on its institutional capacity, and the quality of public officials. In states where patronage and clientelism are a norm, it becomes difficult for policy reforms to be successfully implemented. Because clientelism and neo-patrimonialism are premised on unequal relations between the ruler and the ruled, and are thus sustained by the continued extraction and use of state resources, they are inimical to economic development as envisaged by Structural adjustment programmes.



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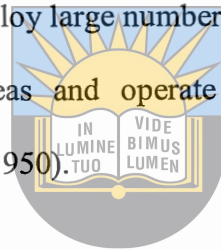
In neo-patrimonialism and clientelism state resources are directed towards clients for their loyalty provision, not for the general development of the population. The state as a vehicle of policy implementation ceases its main function, and engages in reforms so long as the accruing benefits would further consolidate, perpetuate and keep it in power regardless of its inefficiency. As a consequence, a conflict of interests in such a situation arises regarding the objectives of Structural adjustment programmes on the one hand, and those who control the state power on the other. At the centre of this conflict of interests is that the ability of the state to enact reforms becomes severely compromised as patronage and clientelism touches at the core of state bureaucracy. As Herbst notes, structural adjustment programmes involved not only the switching of constituencies of African governments (a feat that most governments find exceptionally difficult) but an entirely new mechanism through which leaders relate to

their clients (Herbst, 1990: 952). In such a situation, Herbst continues to observe, many political systems across the continent which had as a central feature the ability to distribute patronage will be threatened to some degree by Structural adjustment programmes (Herbst, 1990: 954).

The logical outcome of clientelism and patronage relations is therefore a weakened state bureaucracy which severely compromises the ability of the state to implement reform measures. The overriding and paramount concern for public officials ceases to be centred on the quality of policy implementation for the general development, but becomes the one to which it is preoccupied by loyalty and provision of continued support for those who control state power. In this regard, Hyden note that, so long as these powerful holders remain captured by the demands of the economy of affection, and unwilling to break out of it, Such an exercise leaves development a distant possibility (Hyden, 1983: 60).

Structural adjustment programmes were far more likely to produce only very limited economic improvement in the absence of effective administrative institutions (Jeffries, 1993: 24). Moreover, the appointment of public officials to office, not by merit but through loyalty to the ruling political elites, further compounded the problem of an institutional burden on the state capacity to implement policy reforms. Ghana's authoritative regime, under Rawlings, unlike Kenya's one party state under Moi had been relatively successful in implementing structural adjustment programmes; this is evident because it has been relatively autonomous, relatively insulated from the political pressure of clientelist networks and particular social groups (Jeffries, 1993: 31).

Neo-patrimonial states, plausibly, are not ideal for policy reform measures. Medard acknowledges that skilful use of patronage by the ruling class can avert the need for costly social reforms (Medard, 1982: 170). Therefore, the enactment of reform measures in a neo-patrimonial regime risk being hijacked for political support through a network of clients. One area of the Structural adjustment programmes which has been a major source of patronage networks has been the State Owned Enterprises. According to Herbst, State Owned Enterprises are a good source of patronage for African leaders because they can employ large numbers of people, and they can direct important resources to specific areas and operate in greater secrecy than the government in general (Herbst, 1990: 950).



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Apart from this, the privatization of State Owned Enterprises may assume a whole new meaning, being sold to close friends and colleagues who form part of the network of clients. The end result in this context ceases to be improved competition, reduction of fiscal burden, and efficiency; instead it is gross individual accumulation of wealth by political elites and their close comrades and confidants. The task of implementing policy reforms in such a state, for Clapham, is a daunting task, since the process of implementation itself is subverted by the need to meet immediate political demands (Clapham, 1996: 822).

CHAPTER SEVEN

CONCLUSION AND RECOMMENDATIONS

To answer the question posed in this study, of the role played by the World Bank/IMF Structural adjustment programmes in Africa's underdevelopment with specific reference to Kenya and Ghana, we can deduce the following areas of concern:

Firstly, the political will of the adjusting regime represents one central feature upon which the success or lack thereof of policy reforms appear to hinge. In this regard, Ghana under Rawlings exhibited the necessary political will which played a crucial role in the country's successful reform measures through the first and second phases of the Economic Recovery Programme following the country's adoption of Structural adjustment programmes. Kenya on the other hand, as the study suggests lacked a systematic policy framework strategy through which reforms were to be implemented; as a result, it intermittently pursued reform measures.

Secondly, the question of the administrative capacity of the adjusting countries also posed some limitations and constraints to the reforming countries. In some cases, Structural adjustment programmes as envisaged by the World Bank and IMF may simply pose too heavy an administrative burden as a result of which the implementation of the whole programme may pose constraints on the already weak bureaucratic structures. Economic growth for a fragile administrative capacity becomes severely limited as the burden of performance weighs too heavily within the

state capacity. Both Kenya and Ghana, in this sense, exhibited some form of weak administrative capacity.

Thirdly, the sequencing of reforms also posed a challenge for the reforming countries. More often than not, adjusting countries insisted on sequencing and phasing out of adjustment programmes rather than implementing the whole programme. Fourthly, the tendency of the reforming countries to intentionally subvert the agreed terms and conditions also posed serious impediments on the successful implementation of policy reforms. Such subversion was prevalent in neo-patrimonial regimes where state resources were siphoned and used to sustain the ruling political leadership.



In relation to the above, it has to be remembered that the successful implementation of Structural adjustment programmes rested on the state as the vehicle of policy implementation, the fragility of the post-colonial state meant that reform enactment would be a slow, tedious, and daunting undertaking.

Structural adjustment programmes, under the aegis of the modernization school of thought, sought to bridge the developmental gap between the developed and underdeveloped worlds. In this respect, the significance of the state as an agent of development in the enactment of reform measures formed one of the most crucial aspects in defining their success or failure. Moreover, and with specific emphasis on the underdeveloped state in Africa, the administrative capacity of the state to carry out reform policies was central to efficient reform implementation.

With regard to the theoretical approaches utilized to explain Kenya and Ghana's state of affairs on the level of economic development or lack thereof it has been noted that the Dependencia paradigm has not provided a more tenable explanatory analysis in trying to grapple with and understand development or lack thereof within Kenya and Ghana. As a theoretical approach, dependency theory negates post-colonial developments aimed at improving Africa's plight. It purely assigns Africa's continued underdevelopment on historical legacies such as colonialism and imperialism. While this holds true, it cannot be advanced, and conclusively justify the persistent underdevelopment which post-colonial African states continue to face. Moreover, by its emphasis on exogenous factors, Dependencia assumes an external, skewed view of underdevelopment.



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As a second theoretical approach, the Modernization school provides a theoretical grounding, and contextualizes the process of development, thus shedding light on the developmental state of affairs, and how development and modernization could be attained. The Modernization school for example, provides a succinct account of the problem of development in its differentiation between traditional and modern societies, and its insistence on the scientific logic utilized in order to advance traditional underdeveloped countries towards a developmental state of affairs.

However, Modernization theory, in its classical liberal sense, tends to define development along Western developmental lines, and treats modernization as uniform. This study observes that modernization theory has not provided a more conclusive explanation than Weber's analysis has in this regard.

Having noted this, as the foregoing study suggests, the Weberian school, because of its emphasis upon the state as an agent of development has provided a more tenable theoretical exposition. Its characterization of development into traditional underdeveloped and modern developed states has cast development into context. Weber's insistence on the weak bureaucratic structures and administrative capacity and personalization of state agencies and power becomes all the more crucial, in showing why Ghana and Kenya were less successful (more so in Kenya than in Ghana) during the period under review (1980-1994) in improving levels of economic development through structural adjustment programmes.



Moreover, it is the state and its institutions which directs and drives policy reforms, how then can such a crucial developmental agent be neglected or cast aside? To a greater extent, the success of Structural adjustment programmes within Kenya and Ghana hinged upon the effectiveness of the state as an institution which drives policy initiatives. In this sense then, Weber's exposition of the soft and underdeveloped state, absence of legal rational authority, patronage and clientelism politics with ethnicity and political networks which feed on patronage with respect to the ruling elite, provides a more tenable theoretical exposition. Such a political setting as envisaged by Weber was incompatible with some of the basic principles of Structural adjustment programmes, and the outcome of this has been evident in the performance of the three economic areas under review; particularly in terms of currency devaluation, agricultural reforms, and privatization in Kenya and Ghana.

With regard state development, African states, as postulated by Weber, are soft and weak. They lack what Weber termed administrative hardness, and are characterized

by their arbitrary execution of responsibilities. The political administration is treated purely as a personal affair of the ruler and political power is considered part of his personal property. In this sense, the personal ruler then becomes the embodiment of justice, peace, protection, and power itself. This is in sharp contrast to the modern state which is characterized by legal-rational authority, hierarchy, personal free staff with impersonal duties, contractual bases of employment, and none-ownership of the post.

Ghana and Kenya's Structural adjustment programmes, as far as the foregoing study is concerned, centred on three main areas: currency devaluation, agricultural reforms, and privatization of State Owned Enterprises



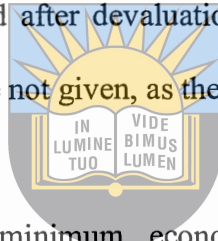
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With regard to devaluation, both Kenya and Ghana had roughly similar performances. The rationale for devaluation as a positive contributing factor on balance of payments is that it will make exports cheaper, thus improving their competitiveness, and thus increase export volumes and foreign exchange earnings. The idea is to reduce the domestic demand of exports (thus leaving more to be exported) and at the same time encourage the production of exports and import substitutions. Apart from this, exchange rates, as the Orthodoxy paradigm requires, are best dictated by the markets.

However, this was hardly the case in Kenya and Ghana where exchange rates were administratively controlled, which saw the rise of the black market in Ghana before Rawlings, and clientelism and patronage relations in Kenya. Had complete financial liberalization been attempted by both countries, it would have indirectly hurt the urban constituency. In essence, devaluation makes the purchase of imports expensive;

overvaluation is expected to be reversed by the rise in commodity prices (in the form of imports).

The administrative controls of exchange rates further overburden the already weak administrative capacity, and thus severely compromising the efficient enactment of financial liberalization. In essence as the evidence appears to suggest, the impact of currency devaluation on overall economic growth within the reforming countries is mixed. This is what Chapter 5 suggests. The before and after approach which focuses on economic performance before and after devaluation indicates that the economic growth prospects after devaluation are not given, as the Bank and Fund maintain.



The outcome suggests that, the minimum economic growth occurring after devaluation, and commodity prices set in market standards would result in the increase in domestic food prices. Because the production process in both Kenya and Ghana is concentrated in rural small peasant farmers who provide an income for the majority of the population, the increase in producer prices had a negative impact and negatively affects income distribution at the expense of the poor.

In Ghana, there was a slight improvement in the balance of payment, the current account deficit fell by US \$91 million in 1986 from US \$ 134 million 1985, but it rose again by US \$ 54 million in 1987, and in 1994 it was projected to fall to US \$ 190 million. This was reflected on the percentage difference between exports and imports of goods and services of 129 in 1992 compared to 45 in 1996. While in Kenya's balance of payment increased to almost 50%, with the country's debt mounting, and

with growth projections overburdened by increase in population growth meant that the country's overall performance was dismal.

The cut in public expenditure was drastic in health and education in both countries, and it led to the introduction of user-charges which had serious consequences on the quantity and quality of social services provision. In Kenya, evidence shows that the introduction of user fees resulted in a fall in school attendance and postponement of treatment in health care services. Budget cuts and cost-recovery measures in health and education have also affected the poor most severely (Centre for Development Research, 1995: 28).



In Ghana, hospital attendances fell from 198,000 in 1979 to 117,000 in 1983, while the child mortality rate increased from 21 percent in 1970 to 25 percent in 1985 to 1989. The introduction of payments for basic education or primary healthcare also increased inequalities by reducing poor people's access to these essential services (Ahmed and Lipton, 1997: 19). The cut in public expenditure, coupled with the introduction of user-fees in areas such as health and education, also meant that there would be reduced state subsidies for farmers which would, in turn, significantly alter the production levels in the respective countries.

Both Kenya and Ghana's agricultural sector account for more than 60 percent of export commodities. Reforms within the agricultural sector form the backbone of both respective countries' economy. Agriculture, in both Kenya and Ghana, is the main source of employment. Considering that over 70 percent of the population live in rural areas in both countries, and are engaged in some form of agricultural activity,

performance in this sector becomes crucial if the respective governments are to reduce poverty levels. Agricultural reforms also posed challenges for both countries as state intervention in this crucial sector weakened the rural farmers through high taxation of producer prices through state marketing boards. Also, the theory of urban bias through the extraction of resources from rural areas for subsidizing urban areas also posed developmental constraints on this sector (Julie, 2008: 4).

However, in both Kenya and Ghana, agricultural reforms proved the weakness of their bureaucratic structures, and their capacity to implement such reforms. This was evident in the failure of the government to meet their intended objectives, infrastructural development, and access to financial assistance, and agricultural inputs such as fertilizers. Kenya's performance has been fluctuating and deteriorated during the end of 1994 period. The average growth of the sector in 1994 was estimated at 2 percent, a far-cry from the pre-adjustment period of 1962-1972 periods. Consequently, as agricultural performance is strongly linked to poverty, such a decline led to increased poverty levels.

The theory of urban bias which was driven by the state through the marketing boards (Cocoa Marketing Board, and Cereals Producer Board) which controlled producer prices at the expense of rural peasant farmers was the main obstacle in agricultural reform performance. The Kenyan government appears to continue with the policy of dualism as discussed in (Chapter5), persistent state interests, and implementation of reform measures on the other.

Ghana's performance on the other hand was slightly above than that of Kenya during the same period of post-adjustment, at 2.7 percent, and this has resulted in an increase in the number of farmers below poverty line. The notion of agricultural paradox in both countries took centre stage when the government, as the initiator of reform measures, appeared to commit itself to such reforms and development, while in real terms little was done. Developmental resources devoted to this sector have been comparatively small. The dismal performance in agriculture has been assigned to the lack of coordination of activities among agricultural stakeholders, inconsistencies in policy, and poor institutional and legal frameworks.



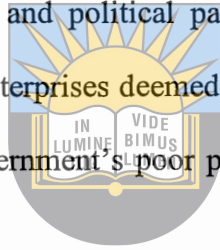
State Owned Enterprises represented an area where such entities imposed both structural and financial burden for the reforming Ghanaian and Kenyan governments.

State Owned Enterprises posed enormous demands on the government for financial support and management of such parastatals. Taking this into consideration then, the rationale for privatization postulates that, because such entities lack efficiency, competitiveness and, as a result, financially burdened the state. Because of their lack of accountability, they were better-off privatized, therefore relinquishing a significant amount of financial burden from the state.

In comparative terms, Ghana showed the willingness to privatize although there were structural constraints, lack of institutionalized labour markets, incomplete markets among others. The Ghanaian government fell behind schedule in the initial stages, however, with the establishment of Divestiture Implementation Committee in 1991 the country's divestiture process accelerated rapidly. As a consequence, the total

revenues received from privatization were valued at 21 percent, and the total of 49 State Owned Enterprises was divested.

Kenya on the other hand assumed a 'stop and go' approach, and its reluctance hinged on the political interests of some public entities. In Kenya, such entities formed a source of political power and maintained the urban-business constituency. This was a trend more prevalent in Kenya than in Ghana. The government of Kenya's reluctance regarding privatization, with vested political interests, more often than not, such parastatals became a source of rent and political patronage. The tendency of the government to privatize only those enterprises deemed less politically significant and less profitable contributed to the government's poor performance record in terms of privatization.



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Although the government committed itself to divesting much of these public enterprises, 207 in total with 33 deemed strategic, by the end of 1995 - nine years after the government began its divestiture programme - the overall process was sluggish. Privatization usually involves massive retrenchments coupled with increased prices of services because of high competition in the private sector. Essential services such as water provision and health services, privatised in both countries meant that there would be less poor households that access to them because of the raised costs. In essence, privatization had a negative impact on the poor households which the very reform programmes sought to improve.

In Ghana, for example, privatization led to dwindling revenues, and cut in social expenditure, which meant that the government was unable to cope with the costs of

managing sanitation and wastewater. As a consequence, the ministry of health estimates that 70 percent of diseases in Ghana were water related. The gloomy picture was also reflected in Kenya where, of the total 30 million Kenyans, only 1 million of the total population had access to clean water.

As the study's main focus is comparative in nature, and hinges on the state of underdevelopment of Ghana and Kenya in relation to Structural adjustment programmes by utilizing Weberian notions of the state. One finds that there is a cogent relationship between the role and actions of the ruling political elite of both respective countries regarding the pursuit of developmental policies in the post-independence period. When one considers the post-colonial African trend that both countries' political leaders used state machinery to further entrench their political support-base. This relationship however was more pronounced in Kenya, as discussed in Chapter 6, with patronage and clientelism being utilized by both the Kenyatta and Moi regimes to maintain political support, and in turn augmented their political power-base.

In Ghana the ushering in of Jerry Rawlings in the early 1980s reversed, and to an extent brought an end to decades of political instability. For Ghana's Rawlings, recognizing its commitment to IMF/World Bank-led reforms, it has been hailed by both the World Bank and IMF as a successful reformer.

Ghana as the study suggests was a better and more successful reformer with its initiation of Economic Recovery Programme (ERP). With ambitious plans and objectives, Ghana's Economic Recovery Programme was initiated when the country struggled with the GDP growth rate of -0.5 percent during the 1970 to 1982 periods.

The ERP's initiation led to the increase in GDP from -0.5 during the first decade, to 5.4 percent during the 1986-1988 year, a significant achievement considering the fact that the country from 1981 was ruled by the military regime which, by experience and performance standards, presented little expectations regarding the efficiency in policy making and execution. This is perhaps one of the peculiarities and oddities of the Ghanaian experience. During the takeover by the military led junta of Jerry Rawlings, it was inconceivable, let alone garnering the necessary support for the implementation of IMF/ World Bank Structural adjustment programmes. As this is captured by Rawlings himself in one of his speeches, in his realization of the economic situation in his second coming:



“No matter the quantity of money that’s going to be pumped into this country or systems devised, the success or failure of this system will depend on one thing—integrity, accountability, a certain degree of honesty. We have lost most of these values... You want to get it back; you want to restore the old values because they are healthier. That’s what makes progress. I don’t know how many people would brand you as a communist for saying things like this, but these are the very bare facts of life. Man, we’ve been suffering. Twenty-two years after independence, you look at that guy and what does he have to show for it? You want to tackle it from the foundation.” (Jeffries, 1982: 317).

If one looks for justification of why did the PNDC government embraced the IMF/ World Bank Structural adjustment programmes, perhaps it is nowhere being so amplified than in the above speech. The direction, and the political will assumed by the PNDC were merely a confirmation of its head’s conviction. On the other hand,

Kenya's case was different in many respects, as captured in chapter two and six, the country's leadership lacked the political will, and this could be attributable to the profound vested political and economic interests of political leaders.

By swallowing the IMF/ World Bank prescription of SAPs, the ruling elite risked the total loss of patronage networks to sustain them in power, and, what better way than to 'flirt' with the prescribed prescription, so long as there was a furtive option of circumventing the conditionalities imposed, and thus maintaining the status-quo.

Kenya's case is not a unique occurrence as most Sub-Saharan African adjusting countries also opted not to fully implement the conditionalities of the IMF/ World Bank. This has been evident in the country's economic performance from the initiation of Structural adjustment programmes, a decline in Real GDP growth rate from the all high of 6.1 percent and 5.9 percent during 1950 to 1970s before the introduction of Structural Adjustment Programmes, to 3.4 percent in 1980 to 1986, and in 1992-93 it went to an all time low of 0.4 percent during the fourteen year period under review (1980- 1994).

Therefore, development as envisaged by modernization has not been attained at least for now. The slight economic growth achieved at the end of 1994 in both Kenya and Ghana, though far less in comparative terms than the growth scenarios experienced during the 1960's did not translate to the much needed economic development, noting that economic growth should be able to translate to economic development.

By this is meant that, the growth percentages in terms of Gross Domestic Product (GDP) should be able to translate to, and transform the ordinary lives of the poor households. Even the World Bank report attest to this by noting that the growth rates

attained are still not enough to reduce the incidence of poverty (World Bank,1994:209).



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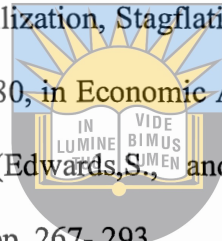
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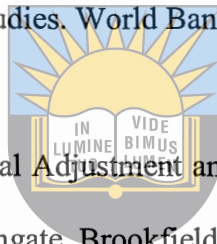
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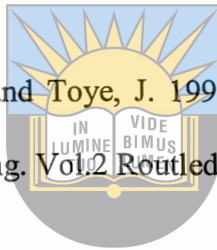
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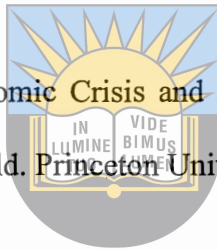
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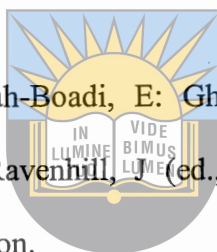
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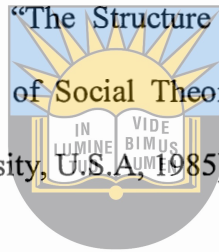
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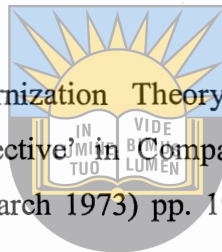
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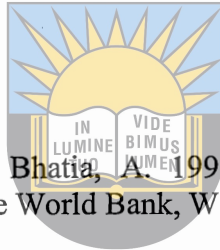
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8. APPENDIX

APPENDIX. 1

GHANA'S POLITICAL AND ECONOMIC DEVELOPMENT: IN CHRONOLOGICAL PERSPECTIVE.

6 TH March 1957	Political independence from Britain under Prime Minister Nkrumah.
1 st July	Inauguration of the first Republic.
24 th August 1966	Coup d' etat by National Liberation Council
22 nd August 1969	National Liberation Council hand over power to civilians. Second Republic under Busia's Progress Party.
13 January 1972	Coup d' etat led by Acheampong and the National Redemption Council.
October 1975	National Redemption Council superseded by Supreme Military Council.
5 th July 1978	Palace coup: Akuffo overthrows Acheamong And Supreme Military Council emerges.
4 th June 1975	Uprising by junior officers, Armed Forces Revolutionary Council comes to power.
18 th June 1979	Elections
24 th September 1979	Inauguration of Third Republic under Dr Limann.
June 1981- January 1983	IDA lending suspended to Ghana.
31st December 1981	Coup d' etat by Rawlings PNDC.
28-29 th October 1982	Attempted coup.
23rd November 1982	Attempted coup.
30 th December 1982	Secretary for finance and economic planning Announces Program for Reconstruction and Development.
January 1983	1.2 million Ghanaians expelled from Nigeria
April 1983	Budget outlines Economic Recovery Program to be supported by IMF and World Bank.
19 th June 1983	Coup Attempt.
November 1983	First Consultative Group meeting for Ghana in 13 years.
18 th May 1992	Ban on political parties lifted.
3 rd November 1992	Presidential elections. Rawlings wins.
7 th January 1993	Fourth Republic inaugurated.

APPENDIX. 2

KENYA'S POLITICAL AND ECONOMIC DEVELOPMENT: IN CHRONOLOGICAL PERSPECTIVE.

May 1963	First National elections, won by KANU.
12 th December 1963	Kenya's independence from Britain.
1966	Central Bank of Kenya established.
October 1969	Banning of Kenya People's Union: Kenya become a de facto single-party state.
October 1973	First oil crisis.
1976-77	Coffee boom results in erosion of fiscal discipline; Subsequent decline in coffee prices worsens balance of payment deficits.
August 1977	Break-up of EAC and common currency linking Kenya, Tanzania and Uganda.
August 1978	President Kenyatta dies, succeeded by vice president Arap Moi.
1979	Second oil crisis.
January 1980	Launch of structural adjustment program; first Structural Adjustment Credit from World Bank.
May 1982	Constitution amended to make Kenya a de jure single party state.
1 st August 1982	Attempted coup against Moi's government led by members of the Air Force.
1984	Severe draught due to failure of rains, requiring massive food grain imports.
January 1986	Sessional Paper No.1 of 1986 Economic "Management for Renewed Growth."
1986-87	Coffee boom, of lesser impact than 1976-77.
25-26 th November 1991	Consultative Group meeting in Paris at which donors decide to suspend balance of payment aid.
10 th December 1991	Constitution amended to permit formation of multiple political parties.
29 th December 1992	First Multiparty elections since independence. President Moi re-elected.
December 1995	Repeal of Exchange Control Act to complete liberalization of trade regime.

APPENDIX. 3

INDICATORS OF ECONOMIC DECLINE IN GHANA: 1955- 1985

Year	Fiscal Policy		Tax Base		External sector		Money & Inflation
	Govt. Revenue Ratio To GDP	Gov. Expend. ratio to GDP	Cocoa Export ratio to GDP	Total import ratio to GDP	Net reserves ratio to GDP		Rate of inflation to GDP
%	1	2	3	4	5		6
1957	16.2	15.4	13.8	26.1	25.9		1.0
1958	17.1	19.4	16.0	21.7	25.4		0.0
1959	15.7	19.6	15.5	25.4	23.7		2.9
1960	17.5	23.4	13.9	31.0	21.2		0.9
1961	14.1	20.3	14.9	35.0	12.2		6.2
1962	14.4	23.1	13.4	27.1	12.9		5.9
1963	14.1	22.3	12.4	26.3	12.1		5.6
1964	18.7	26.9	11.0	22.9	5.5		15.8
1965	19.4	25.3	9.2	26.7	-0.9		22.7
1966	15.2	18.3	7.7	19.6	-1.8		14.8
1967	15.7	21.3	8.7	20.9	-3.5		-9.7
1968	17.5	23.5	10.6	21.7	-2.6		10.7
1969	16.6	19.8	11.1	21.4	-5.2		6.5
1970	19.3	20.7	13.3	23.9	1-1		3.0
1971	18.0	21.0	8.1	27.5	-0.4		8.8
1972	14.9	19.3	9.8	15.2	4.5		10.8
1973	10.9	15.7	11.3	17.1	6.1		17.1
1974	12.5	16.2	10.0	26.6	0.0		18.8
1975	15.5	21.9	10.5	18.4	2.4		29.8
1976	13.4	22.9	7.9	16.0	0.3		55.4
1977	10.5	19.1	6.1	11.5	0.0		116.5
1978	6.6	15.1	4.7	9.7	0.1		73.1
1979	9.9	16.4	6.5	9.9	1.2		54.5
1980	6.9	10.9	6.0	8.9	0.5		50.2
1981	4.5	10.6	1.5	5.3	-0.3		116.5
1982	5.6	11.0	1.2	3.0	0.0		22.3
1983	5.6	8.0	3.4	9.6	-3.1		122.8
1984	8.4	9.9	4.7	7.7	-6.6		39.7
1985	11.7	13.3	5.3	11.6	-9.7		0.3

Source: Frimpong- Ansah, J.H.1992. *The Vampire State in Africa.* (p 95)

APPENDIX. 4

STABILIZATION AND STRUCTURAL ADJUSTEMENT PROGRAMMES
IN SUBSAHARAN AFRICA 1980-90s

In Cooperation first with the IMF Programme	In cooperation with							Year of
	with World Bank							
	SBA	SAF	ESAF	EFF	SAL	ER	SECAL	
80s								TOTAL In
Benin 1989		1	1		1		1	4
Burundi 1986		1	1			2		1
Cameroon 1988		1			1			2
CAR* 1980	6	1					1	10
Chad 1987		1					3	4
Congo 1986	2				1			10
Cote d'Ivoire 1981	5			1	3		3	12
Eq. Guinea 1980	2	1					1	4
Ethiopia 1981		1						
Gabon 1980	2			1	1			4
Gambia 1982		1	1		1			
Ghana	3	1	1	2		1	4	13
Guinea Bissau							1	1
Kenya	6	1		2			3	10
Lesotho 1988			1					
Liberia 1980	5							5
Madagascar 1980	7	1	1				2	11
Malawi 1980		3		1	1	3		2
Mali 1982	4	1					3	8



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Mauritania 1982	5	1	1	1		3	8
Mauritius 1980		5			8		1
Mozambique 1987		1	1			3	5
Niger 1983	4	1	1			1	8
Nigeria 1983	2					2	5
Sao Tome 1985		1		1		1	3
Senegal 1980		6	1	1	1	4	2
Sierra Leone 1981	3	1		1			5
Somalia 1980		5	1				2
Sudan 1982	3		1				4
Tanzania 1980		2	1				2
Togo 1981	7	1	1		3		12
Uganda 1980	4	1	1			2	
Zaire 1981	6	1		1		2	10
Zambia 1981		3			1		1
Zimbabwe 1981	2			1		1	



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Legend a SAB= Stand-By-Arrangement; SAF= Structural Adjustment Facility; ESAF= Enhanced Structural Adjustment Facility; EFF= Extended Fund Facility; SAL= Structural Adjustment Loans/ Credits; ER= Economic Recovery/ Rehabilitation; SECAL= Sector Adjustment Loans

Source: Mlawa H.M and Green R.H. 1996. THROUGH STRUCTURAL ADJUSTMENT TO TRANSFORMATION IN SUB-SAHARAN AFRICA.

APPENDIX. 5

FOREIGN DIRECT INVESTMENT IN KENYA

YEAR	AMOUNT
1980	79
1981	61
1982	13
1983	24
1984	11
1985	18
1986	33
1987	43
1988	0
1989	62
1990	57
1991	19
1992	6
1993	2
1994	4
1995	32
1996	13

Source: O'Brien, F.S and Ryan, T.C.I (eds.) *Aid and Reform in Africa: Kenya Case Study*. (August 27, 1999).

APPENDIX. 6

STAGES IN KENYA'S STRUCTURAL ADJUSTMENT PROGRAMMES.

PERIOD	DESCRIPTION
1980- 83	Loss of fiscal discipline followed by successful, but possibly too abrupt, macro/fiscal stabilization; fiscal control restored by FY 1983; start of flexible monetary and exchange rate policy; beginning attempts at trade liberalization but limited success because not well coordinated with macro policies; little progress in cereals market liberalization.
1984- 85	Hiatus in reform efforts and in donor balance of payment support.
1986- 91	Government SP#1 of 1986 defines policy objectives. Period of sectoral adjustment programmes in agriculture, industry, trade, finance with renewed donor support; slow but steady progress in domestic price decontrol and trade liberalization.
1991- 93	Slowing of reform effort; reversal of cereals market liberalization but continued progress in domestic price decontrol, tariff rationalization. But weak overall reform efforts, growing political problems and donor concerns over governance and corruption lead to suspension of balance of payment support from November 1991 to mid-1993.
1993- 95	Resumption of reform period, particularly trade and exchange rate policy; complete liberalization of foreign exchange market, end to import licensing, further tariff reforms; completion of domestic price decontrol; only limited progress in reform/ privatization of state owned enterprises, civil service reforms.
1996- 98	Again slow of reform effort. Government maintains liberalized trade and exchange regime, interest rates, decontrol of domestic prices; fiscal and monetary policy are reasonably well managed , but structural problems in budget, state enterprise sector, civil service, agricultural sector institutions not adequately dealt with.

O'Brien, F.S and Ryan, T.C.I. 1999. *Aid and Reform in Africa: Kenya Case Study*. . (August, 27).pp. 21- 22.

APPENDIX. 7

STAGES IN GHANA REFORMS.

	STABILIZATION	ADJUSTMENT	OSCILLATING REFORM
Pricing reforms	<ul style="list-style-type: none"> - Currency devalued - Price controls removed - Wage restraint - Energy prices 	<ul style="list-style-type: none"> - Market based forex auction - Interest rate liberalization 	Licensing of forex bureau
Fiscal policy	<ul style="list-style-type: none"> - Tax reforms - Consumer subsidies - Producer subsidies 	<ul style="list-style-type: none"> - Medium term expenditure planning 	<ul style="list-style-type: none"> - Medium term expenditure framework
Structural policies	<ul style="list-style-type: none"> - Simplify tariff regime and make more uniform - Reduction of negative list - Removal of import controls 	<ul style="list-style-type: none"> - Financial sector reforms. - Investment promotion - Divestiture of state owned enterprises 	<ul style="list-style-type: none"> - Cocoa prices to farmers raised - All cocoa subsidies for production removed. - Additional SOEs sold/ liquidated
Institutional Reforms		<ul style="list-style-type: none"> - State enterprises management. - Civil service reform. - Capacity building in core ministries. - Planning process. 	<ul style="list-style-type: none"> - Creation of multi-sector regulatory agency. - Coordination of donor support for public sector management.

Source: Tsikata, Y.M (Eds.), *Aid and Reform in Ghana: Preliminary Draft: May 1999.* (pp. 29).