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Organization of African Unity

**"THE OAU PERSPECTIVE ON STRUCTURAL ADJUSTMENT AND  
TRANSFORMATION IN AFRICA"**

- Contribution of the Secretary General H.E. Salim  
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Africa: Through Structural Adjustment to Transformation"

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**OAU PROSPECTIVE OF STRUCTURAL ADJUSTMENT**  
**AND TRANSFORMATION**

Adjustment is the law of nature. From the time we are born to the time we die our lives are governed by a continuum of adjustments.

The same natural law of adjustment and adaptation govern the fate of society whether in the political, economic and social fields. Such adjustment may be gradual or sudden as in the case of natural disasters, wars and other sudden major dislocations of the normal life of people. It could also be gradual through the introduction of new technology. New technologies developed by man's ingenuity have led to new organization of production relations and consequently new social systems.

It would, therefore, be unnatural not to adjust. In the early 1960s, our continent went through major political and social change which was the culmination of the heroic struggle of our people to free themselves from the shackles of colonialism and domination. In doing so, we aspired to meet the high expectations of our people for a good life, better health, better education and better infrastructure. We inherited production systems closely linked to the metropolitan powers.

In the early 70s, we had a rude awakening as a result of the oil price shock. However, that shock was cushioned by the availability of credit from petro-dollar surpluses.

It took another major crisis in the early 80s when our continent was faced by an unprecedented drought for us to realize that there is something structurally wrong with our economies. The memories of suffering, death and destruction of that drought is still fresh in our minds. Human life, livestock and property were gravely affected from the Atlantic to the Indian Oceans and the Red Sea. The cushion we had had disappeared leaving behind a monumental volume of debt; our export earning shrunk and our governments started a scramble for survival.

On our part, we sounded the toll as early as February, 1979 when the OAU assembled some 45 African intellectuals, policy makers and academicians to a Symposium in Monrovia to ponder on what kind of Africa by the Year 2000! That Symposium diagnosed the problem and charted a way out of the continent's socio-economic crisis. The results of the Symposium were later endorsed to the OAU Summit in Monrovia in 1979. The Monrovia Symposium came up with recommendations based on four major principles. These principles were premised on an open society where basic freedoms are respected. These were:

Quote

- I. A new pedagogy for African Unity;
- II. The need for Scientific, Cultural and Social values underlying a New Approach to Development;
- III. Mastery over the technical and financial instruments vital to a new type of Development;

IV. A New Approach towards International Cooperation,  
with the emphasis on links between Developing  
Countries.

Unquote

In response to the call by the Monrovia Symposium, the Assembly adopted "The Monrovia Declaration of Commitment on Measures for National and Collective Self-reliance in Social and Economic Development for the Establishment of a New International Economic Order". In that declaration, the Heads of State and Government expressed their determination to ensure that Member States individually and collectively restructure their economies and social strategies and programmes so as to achieve rapid socio-economic change and to establish solid domestic and intra-African base for a self-sustaining self-reliant development and economic growth. The declaration went on in very strong terms, to commit African countries individually and collectively to taking measures to achieve the objectives of structural adjustment and integration. In that declaration, African Governments undertook commitments which, in their totality, provide a comprehensive programme for Structural Adjustment and Transformation.

By a separate resolution, the Monrovia Summit resolved to hold an Extra-Ordinary Session in Nigeria devoted exclusively to the consideration of the economic problems facing Africa. That Summit was convened in May, 1980 and its outcome was the **Lagos Plan of Action for Economic Development of Africa - 1980 - 2000 and the Final Act of Lagos.** The Lagos Plan of Action

is premised on a regional approach based primarily on Collective Self-reliance and guided by the basic restructuring of the economies of the continent.

Detailed policies and programmes in all the sectors of economic activity and some social sectors, such as population and women in development, agriculture, industry, natural resources, science and technology, were subjected to detailed study work programmes and targets with indicative dates were agreed upon.

The Final Act of Lagos, on the other hand, addressed the issue of economic integration and resolved to build the African Economic Community by the Year 2000. The mandate given to the OAU Secretariat was completed in June, 1991 when the Heads of State and Government signed the Treaty Establishing the African Economic Community.

Africa's collective efforts did not stop there. When the crisis deepened in the mid-80s in the wake of the severe drought, the Assembly again devoted most of its 21st Session to the consideration and adoption of the "Africa's Priority Programme for Economic Recovery, 1986 - 1990 (APPER). That programme became the basis of UNPAAERD adopted by the UN General Assembly in 1986. APPER, as it became to be known, concentrated on the implementation of the Lagos Plan of Action, giving priority to food, agriculture and Africa's external debt crisis.

Given all this, how did Africa fare with the commitments it undertook.

What happened is that when African countries were strapped for financial resources, they approached their traditional donors for assistance and rescheduling of their debts. They were then told that no help will be forthcoming unless they adopt structural adjustment programmes. Hence the rush to adopt SAPs began. Programmes we adopted had a common prescription composed of devaluation, fiscal austerity, balance of payments, reduction in government, interest rates adjustment, liberalization of prices, removing of non-tariff barriers, privatizing public enterprises, requiring payment for social services, cost recovery, freeing imports and exports. These were applied wholesale to African countries.

Life savings of people were reduced to pittance over night, prices sky-rocketed and social services declined and in some cases, virtually stopped. This was the outcome of the first generation of SAPs. Later on and as a result of the concerted efforts of Africa, the Bank became more amenable to the social issues. We should however bear in mind that the purpose of the SAPs was never what we had in mind when we talked about adjustment and transformations. SAPs were essentially short-term measures designed to apply a shock treatment to achieve short-term and some experts have argued, questionable gains.

It was necessary to review the past before we provide our prospective for the future. The lessons we have learnt from the past and the current SAPs should guide us to draw up programmes for the structural adjustment and transformation of our economies. One thing is clear that adjustment is necessary, urgent and crucial to our survival. The question remains, what type of adjustment, for what purpose, by whom and for whom. The answers to these questions hold the key to the formulation of home-grown structural adjustment and transformation programmes.

The guiding principles of the current SAPs include the elaboration of new macro-economic policies, emphasizing the reduction of budget deficits, balance of payments deficits and adjusting exchange rates. Equally, they include promoting competition through deregulation, trade liberalization and privatization of public enterprises. Of course the requirement of the good governance, is increasingly being taken as a critical factor, in determining whether a country has acceptable macro-economic policies in place.

The OAU, indeed as African countries have repeatedly reaffirmed, we see great need to have macro-economic policy reform, to reduce budget deficits, to stimulate production and expand the tax base and eventually raise domestic savings through growth.

Equally, we see need to give priority to agriculture which is the mainstay of our economies. Taxing agriculture less and giving improved access of farmers to inputs, machinery, extension facilities and credit would improve production and earnings.

Yes, we need to liberalize the agriculture market, improve licensing and trading procedures and the efficiency of crop marketing outfits. Improving rural road infrastructure would facilitate access, collection and marketing of produce.

Equally, promoting exports including that of non-traditional goods, the stepping up of exports including that of non-traditional goods, the setting up of export processing zones, removing the non-tariff barriers which inhibit trade, are all imperatives which we all realize must be met.

At the same time, we must realize that it is not enough to pursue the goal of reducing budget deficits only for statistical purposes without assessing the utility of such cuts, or their impact to society and to the process of adjustment itself.

Particularly, in countries where government spending is in basic services, such as education any cuts for the sake of balancing budgets, will undermine the objective of human resource development. Likewise, under peasant agriculture production, the total elimination of needed seed and fertilizer procurement support, will undermine production,



and the very objective of generating domestic savings. You cannot promote domestic savings by removing the basis for earnings.

Another issue which is invoking debate is the requirement to privatize public enterprises. Of course we all agree that those loss making corporations need either to be revamped or where possible privatized or in the extreme case, dissolved. In this, we need a creative partnership with the private sector to ensure that the process of assessing the performance of public enterprises, is done with national interest in mind. I say this because of a variety of reasons. First, you need to ensure that these public assets are valued realistically so as not to sell as scrap, public entities which were set up at high cost and for which the nation is still paying in form of debt repayment.

Additionally, we need to ensure that those profit making enterprises are not sold simply because the trend is to worship at the alter of privatization. Again, the tendency is not to sell off loss making corporations. Invariably, most investors don't want them. They want to buy those which are making profit.

Thirdly, we need to see how to empower the employees and people economically so that they can participate in that process of privatization by way of buying shares. Privatization, without empowering the people, means opening the country to unfair competition and exploitation by outsiders with capital. Above all, even within our countries it is important to ensure that this process of privatization

and the inevitable transfer of economic power into the hands of those with capital, does not create political schism which can undermine social harmony and national unity.

**Mr. Chairman,**

Africa wants sound economies. Africa want efficient banks and efficient government bureaucracies. But efficiency and size are not synonymous. Our bureaucracies will not be efficient simply because they are small. We cannot develop our human resources by cutting back on education and health care. We cannot ensure food self-sufficiency and boost domestic savings by denying the farmers the means with which to work.

What we can do though is remove the excesses and create incentive which will promote efficiency and creativity. But above all we need to put in place adjustment programmes which are targetted at eliminating poverty and which are accompanied by additionality of resource flows to underwrite the SAPs.

But what should be the contents of Africa's restructuring and adjustment prorgammes?

We should recognize that this process of adjustment will touch the life or each and every citizen. It will require sacrifices from each and everyone. It is too important a national undertaking to be left to the politicians and the civil servants alone. It is, therefore, essential to initiate a National dialogue, a serious honest and transparent dialogue with all segments of society to reach a national consensus on

what need to be done to pull our respective countries out of the present crisis. We realize this is easier said than done but it is essential for our survival. The facts, figures and options should be put clearly before all the people. The reality of the situation internally and internationally should be put clearly and succinctly before all the people. The initial pain, suffering, deprivation and sacrifice should be clearly identified. Only then we can make an informed choice and can rally the whole community behind it. We should all share in the burden of this adjustment equally so that no group is made to shoulder the greater part. We should endeavour from the outset to build in these options a social safety net to cushion the impact of the adjustment on the very poor and vulnerable groups.

Only through this approach can we develop a genuinely home grown structural adjustment and transformation programme which will take into full account the country specific social, political, economic and cultural particularities. Only through this approach can we develop a national consensus based on popular participation and provide a clear national vision on where the country wants to be in the long-term.

To achieve this requires a lot of courage, good governance, transparency and accountability on the part of government and discipline and abiding by the national consensus on the part of the populace at large. All this is premised on an environment of peace, security and stability as well as the rule of law. Accountability involves participation of the people in every major effort, consulting, informing and educating the people on progress of chosen

policies, new options and being fully responsible for actions taken on behalf of the people. Transparency, on the one hand, involves openness. Only then will the community stand fully behind those who govern and continue to bear sacrifices inherent in the process of economic adjustment.

Another important ingredient is releasing the creative power of the people to produce and exchange. No amount of policy and programmes will replace production if Africa is to see a better tomorrow. Government should do everything within its power to enable the people to work and work hard to produce more and to trade more nationally, regionally and internationally. The rate of growth of production in our continent is the lowest in the world even in the traditional products that we have been producing for decades. For example, we are losing market share in major commodities such as coffee, palm oil and cocoa to countries in South East Asia and Latin America. I am told that productivity per hectare of palm oil and cocoa in South East Asia is almost double that in Africa and that the annual exports growth rates for South East Asia were about 10% and 15% for palm oil and cocoa, respectively, compared to a growth rate of African exports of only 3% for palm oil and 4% for cocoa annually in 1989/91.

More efficient producers are taking a major share of the market every year. With the advent of the new GATT Agreement even the little protection in our traditional markets will evaporate. In the emerging new world order, there will be room only for the more efficient and competitive producers. We have to wake up to this reality. Increase in productivity will require government support in research, extension and

regulations which are essential to provide a level field for the release of the creative energies of our people. There is no alternative to hard work. New ethics of work have to be introduced and propagated throughout the continent. We have nothing but ourselves to rely on. It is only then we can endeavour to squeeze ourselves in the new emerging economic world order and avoid marginalization.

It is equally important to diversify our economies. The structural adjustment and transformation programmes should have diversification of our economies both vertically and horizontally. We cannot for ever continue to produce and export raw materials. Diversification into new products both agricultural and industrial is essential for our long term development. Vertical diversification will create value added to our products, open new employment opportunities and introduce new technologies in our economies. It will also build the base for our future industrialization.

A clearly articulated industrialization policy need to be developed within the structural adjustment and transformation programme. The industrial policy should be based on the natural endowment of our countries, meeting the basic needs of our people and on cooperative opportunities to take advantages of the economies of scale through regional integration. Creating new employment opportunities should also guide our industrial policies and programmes.

No structural adjustment and transformation programme can be viable in the long run without a clearly articulated policy and programmes for the development of human resources. After all, development is all about people. The programme should, therefore, come up with policies and programmes to eradicate illiteracy, provide equal educational opportunities for all and access to high learning institutions on merit. Education and vocational training programmes should be linked to the needs of the productive sectors. Africa has suffered enough from an educational system completely delinked from the actual and planned needs of the productive sectors. Human resources development should also include the creation of a corps of elite scientists and researchers in the major fields of human endeavour to benefit from the new frontiers of knowledge in science and technology, particularly bio-technology and informatics.

Commitments entered into in the OAU and elsewhere for health for all should also be part and parcel of the new structural adjustment and transformation programmes. Efforts should be made to incorporate basic health care to all segments of the population in the new SAPs. Particular attention should be given to the delivery of basic health care, preventive medicine, safe drinking water and sanitation to the rural areas. To reduce costs, people's participation in the design, management and financing through community self-help schemes can be explored and adopted.

Another important aspect of the New SAP would be building the Institutional Capacity of African Countries to design, implement, monitor, evaluate and adjust the agreed upon policies and programmes on a continuous basis. There is dire need to take a serious look at institutional capacity building at all levels and all sectors.

For development to be self-sustaining and lasting, African countries have to invest in science and technology for development. Science and technology is essential for increase in productivity of the African productive sectors, particularly agriculture. The cherished objective of collective self-reliance and collective food security cannot be achieved without the intensification of application of science and technology to agriculture. There is urgent need for improving agricultural productivity through the introduction of improved seeds, new techniques and irrigation.

Finally, an important ingredient in the national structural adjustment and transformation programme should be regional cooperation and integration. For too long we have paid lip service to this important issue. It is high time now that it be brought forward on the top of the national agenda. At the time when the rich and powerful nations are expanding and consolidating the process of the integration of their economies, Africa cannot afford to be divided. In fact, our very survival will depend on the extent of integration of our economies.

To do this we have to also address the issue of infrastructure, particularly transport and communications infrastructures within the framework for the New SAPs. Equally important is the issue of cooperation and integration of our energy networks, particularly petroleum and electric energy.

With cooperation and integration as one of the corner stones of our structural adjustment and transformation, we can be able to reverse the current decline of our economies. We are a rich continent, the building of our tomorrow should start here and now.

Before concluding, I wish to address the issue of financing our structural adjustment and transformation. First and foremost, we should rely principally on our own resources. This will require reordering of our priority for allocation of public finance. A look at the current allocation of resources in the national budgets of many of our countries will reveal the huge wastage we are currently living with. Secondly, the rate of domestic saving in Africa is the lowest in the world. It needs to be improved as it was possible to do in other parts of the world. In some South Asian countries for example, the rate of domestic savings is as high as 30% of GNP. Thirdly, attracting non-debt creating foreign investment through the creation of conducive environment in our continent is necessary and essential.



In 1992 alone, private investment in developing countries reached \$100 billion, not a cent of that money was invested in Africa. On the contrary, there was a disinvestment to the tune of \$3 billion going from Africa to other regions. Fourthly, creating the right investment climate for the return of flight capital to Africa estimated at \$20 billion.

Lastly, Africa has been getting external assistance from the donor community to the tune of 8% of its GNP or about \$20 billion annually. If such assistance is sharply focussed and judiciously used it can make a contribution to the structural adjustment and transformation of our economies. Of course, the understanding and cooperation of donors will be required, particularly in the area of technical assistance and the choice of national priorities.

It is not impossible to reverse the current decline of our economies if we are willing to make a clean break from the past and set in earnest to design and implement our own programmes. We have to start now for tomorrow will be too late. Ours is the continent of today, this hour. We have to do it for the sake of ourselves and future generations of Africans.