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Poverty, Income Distribution and Labour Market Issues in Sub-Saharan
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Adjustment, income distribution and poverty
in Africa: A research guide
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ADJUSTMENT, INCOME DISTRIBUTION AND POVERTY IN AFRICA: A RESEARCH GUIDE

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In some respects, this paper is about yesterday's subject; in others, it is highly topical. For as the intensity of the intellectual attention to structural adjustment of the 1980s has diminished, so interest in poverty has been rekindled. Africa, in particular, is seen as a region of growing poverty, in a world where poverty rates are generally diminishing. Aid donors and academics have pushed poverty up the agenda, and some governments have responded to growing immiserization within their frontiers.

This paper has three objectives: to provide a brief guide to the methodological pitfalls in the way of country-specific research into the distributional effects of economy-wide adjustment packages, which is undertaken in Section 2 of the paper; to survey, in Section 3 and 4, the limited evidence currently available on the effects of past structural adjustment programmes (hereafter SAPs) on poverty and income distribution in Africa; and to offer a summary and some brief guidelines for future research in Section 5. For present purposes, "Africa" here refers to sub-Saharan Africa excluding South Africa, although some multi-country studies that include countries from outside that region are included.

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1. The evolution of the debate

We can follow van der Hoeven (1997: 2–3) in identifying various phases in the development of attitudes towards adjustment policies.² First, in the years up to the early 1980s the emphasis was on macroeconomic *stabilization*, with the types of policies associated with the IMF at the centre of the, still very active, debate. Particularly in the economic circumstances of Africa, orthodox short-term stabilization programmes, supported by credits that were both expensive and short-term, were much criticized as ineffective and inappropriate (e.g., Killick, 1984).

The international finance institutions (IFIs) took several steps in response to these deficiencies, to the severe problems created for most African countries by the second oil shock and to the emergence of growing debt-servicing difficulties. The World Bank opened a new "structural adjustment" window of policy-based lending, which started business in 1980 and exerted a rapidly-growing influence on policy discussions in Africa throughout that decade. The IMF responded by introducing its own enhanced structural adjustment facility (ESAF), offering longer-term credits on much softer financial terms but with an extent and rigour of conditionality going well beyond the confines of its standard macro policy instruments, and these assumed importance from the latter part of the decade (Killick, 1995a: chap. 2). This second period, then, was one of increasing concern with issues of *economic efficiency and market reform*, involving an extension of IFI conditionality just as controversial as the traditional IMF stabilization package had been.

In Africa, at least, this change did not bring the economic improvements that were hoped for. At the same time, concerns were increasing about the impact of SAPs on the welfare of vulnerable groups in developing countries. This ushered in the third phase, of *social concerns*. UNICEF's campaign for "adjustment with a human face" (Cornia et al., 1987) was seminal, with the Fund and Bank responding to these and other concerns. The IMF abandoned its public stance of treating the distributional consequences of its programmes as outside its own remit (although the extent of real change is questionable—see Killick, 1995a: 34);³ and the Bank more frequently incorporated components into its programme designs intended to reduce the adverse social effects of SAPs, although here too there are questions about how much the reality has changed below this surface.

We might finally note a fourth phase, in which adjustment measures go beyond the removal of market distortions and macroeconomic imbalances to a *second generation* of structural

² Van der Hoeven (1997) identifies a fourth phase, concerned with including people and institutions in the design of SAPs and other policies. However, this phase, if it occurs, lies more in the future.

³ See *IMF Survey* of 23 June 1997 for a re-statement of the Fund's position, spelling out in more detail measures the Fund has taken to strengthen its own, and borrowing governments', capabilities in the areas of education and health spending.

measures, requiring institutional reforms: the establishment of simple and transparent regulatory systems, improved expenditure decision-making procedures within Ministries of Finance and other government departments, better observance and enforcement of property rights, and so on. However, this shift of attention is running alongside the greater social concerns just described, rather than replacing it.

The account just offered provides an outsider's perspective. While these developments were happening, important changes were also occurring in African governments' attitudes towards adjustment. With only a few initial exceptions, it is probably fair to say that within official (and academic) African circles there was originally much scepticism about, and opposition to, all the stress that donors were placing on the importance of policy reforms for structural adjustment. Although by no means all the resistances have gone, a cumulatively large shift in attitudes has occurred over time. This has been a gradual process, but two seminal occurrences can be mentioned as marking the transformation. The first was the extent of rejection within official African circles of the Economic Commission for Africa's 1989 publication of an "African alternative framework" to the Washington orthodoxy (ECA, 1989), criticized as unhelpful and revealing of the analytical weaknesses of those who argued for a heterodox approach. The second was the devaluation of the CFA franc in early 1994, signifying acceptance, however reluctant, by a large and important group of African governments of the prevailing orthodoxy in the face of an exchange rate that had remained unchanged in nominal terms for 45 years but whose real appreciation was causing increasingly acute problems among members of the Franc Zone.⁴

In short, while there remain many slippages in implementation and disagreements about the detailed design of SAPs, intellectual resistance to the desirability of adjustment, per se, has much diminished, speeded by the near-disappearance on the continent of leftist governments opposed to the orthodoxy on ideological grounds. At the same time, much lip service is now paid by all concerned to the importance of "ownership" of SAP implementation: the idea, for which there is much supporting evidence (Johnson and Wasty, 1993; Killick, 1998: chap. 4), that SAPs work best when they are designed by the executing governments, as distinct from being largely wished upon them from outside.

While these changes have been occurring, concern has been growing about the persistence and growth of poverty, particularly in Africa. Although the movement by the World Bank into structural adjustment lending in the 1980s constituted a shift away from poverty concerns, its publication of the 1990 *World Development Report* on that subject signalled a renewed concern. The Bank's current president, James Wolfensohn, has since given further impetus to this renewal. Various bilateral donors are also giving heightened emphasis to the objective of poverty reduction. Partly in response to this revival of donor attention, some African governments too have been turning more attention to policies to assist the poor.

As a result of this evolution of attitudes, there is today a degree of consensus about issues that were still highly contentious a decade or more ago. This can provide a starting point for this

⁴ See Clément (1996) for a brief account of the background to this change.

paper. In particular, it is no longer necessary to argue the case for adjustment. That flexibility is a desirable attribute, that economies need to adapt themselves to changing circumstances and possibilities, and that postponed adjustment can impose large economic costs are propositions that would no longer be much contested. There would be little resistance to the further proposition that poverty is a large and growing feature in many African countries, and that active state interventions are necessary for this problem to be addressed adequately. We will take these as givens in what follows.

The research issue, then, is to elucidate the ways in which adjustment policies impinge on the welfare of the poor, in the hope of minimizing any harm they may do, and maximizing any benefits they may bring, to the disadvantaged. The task of elucidation is a difficult one, however, and the next section is devoted to an examination of some of the methodological challenges to be overcome.

2. Methodological issues

It will be useful to consider first the issues posed in measuring the effects of SAPs in general, before turning to the more particular problems that arise in looking for the consequences for poverty and the distribution of income. Our focus throughout will be on problems found in the design and conduct of country-specific, as distinct from multi-country, studies.

General issues

The list of potential difficulties is rather formidable:⁵

- It is difficult to distinguish between the effects of the policies in SAPs and the effects of the finance that accompanies the programmes, including that of the IFIs themselves plus supporting co-finance from bilateral donors and the value of any debt relief agreements that may be linked to adoption of a SAP.
- There are difficulties in selecting adequate *performance indicators*, not least because of the wide-ranging nature of many SAPs and the non-quantifiability of some relevant indicators (civil service reform, privatization, deregulation, etc.).
- There are problems also with the *period of analysis*, with results often sensitive to the choice made. Should the impact of programmes be assessed only for the period of the programmes or for some longer period? The time lags between changes in some policy variables and their intended results (say, reform of bank supervision or of agricultural extension) suggest an extended period but the longer this is the louder becomes the extraneous noise in the tests.
- Crucially, some programmes are more fully implemented than others, so research

⁵ For a fuller treatment of these issues see Goldstein and Montiel (1986), Khan (1990) and Mosley et al., (1991).

should ideally take account of the *degree of implementation*. There is much evidence of incomplete execution, so that what has been seen as a failure of adjustment policies might sometimes be better regarded as a result of inaction. A device World Bank economists have sometimes used to deal with the implementation problem in cross-section analyses has been to classify countries as "intensive" adjusters (IAL), "other" adjusting countries (OAL) or non-adjusters (NAL); this device has been borrowed by researchers outside the Bank (e.g., Kakwani, 1995; Basu and Stewart, 1995). The degree of "intensity" here is indicated by the number of adjustment credits received by the country in question. Unfortunately, this provides no solution at all, for it rests on the incorrect premise that frequent programmes mean more adjustment. As will be shown later, there is actually little established connection between the adoption of IFI SAPs and the improvement of policies. Indeed, the necessity for frequent programmes may simply be a sign of weak past implementation.

Above all, however, methodological discussions are dominated by the *problem of the counterfactual*, taking as the central question whether programmes result in a better situation than would obtain in their absence. Khan (1990) puts the point eloquently:

The counterfactual is perhaps the most appealing yardstick against which to assess program performance and the standard most widely employed in economics to measure the impact of government policy interventions. What would have happened in the absence of a Fund-supported program is by no means the only standard against which to judge the outcome of programs, but in many cases it is the most appropriate one. However, the counterfactual cannot, by definition, be observed and must be estimated or approximated. The various approaches used in evaluation studies should thus be judged in terms of how good they are in providing estimates of the counterfactual.

There are three, linked, principal reasons why it is desirable to bring in the counterfactual. The first is the importance of disentangling the (generally adverse) effects of the initial state of the economy from the effects of the programme itself. As will be shown later, the initial conditions are likely to be important (Kakwani, 1995). This creates a tendency to attribute to programmes an economic deterioration that is pre-determined by the often dire initial situation, a tendency compounded by the fact that by far the easiest, and most commonly used, type of test to apply is to compare economic indicators before and after programme introduction.

A second reason for applying a counterfactual test is that programmes are commonly knocked off course by shocks beyond the control of governments or IFIs. Abnormal weather, ethnic conflicts and changing conditions in world capital markets are examples, but unexpected changes in borrowing countries' barter terms of trade are probably the most common and important. By definition, the counterfactual situation would be no less affected by these shocks, so comparisons between this and programme results would eliminate the bias. The complications introduced by the occurrence of shocks—in her case a succession of droughts—is well illustrated by a recent study of Zimbabwe by Marquette (1997). She points

out not merely the great difficulty of separating the consequences of adjustment policies and of abnormal weather but also how these two phenomena interact with each other, to result in policy outcomes that differ from those that would have been pursued if the rains had been normal.

This leads to the third reason why the counterfactual problem is regarded as so central: that this literature has a strongly normative content, treated as evidence on the merits of the IFIs as institutions. This is unfortunate, if inevitable. Exogenous shocks are a potent reason for programme ineffectiveness that cannot be laid at the door of the IFIs. The same is partly true of non-implementation of programme provisions, although the scale of policy actions written by the IFIs into SAPs is sometimes so absurdly extensive as to rule out the possibility of comprehensive implementation. Given the force of such factors beyond the control of the IFIs, it would be desirable to separate the "positive" assessment of programme effects from normative evaluations of the institutions, and knowledge of the counterfactual would facilitate this separation.

Neglecting the issue of the counterfactual can seriously distort results, or the way they are interpreted. The temptation is to attribute to adjustment deteriorations that are actually the result of the economic crisis that necessitated the adjustment. There has, for example, been a tendency to attribute Africa's declining real wages and consumption standards of the 1980s to the failings of adjustment, but this overlooks the severity of the initial problem and the more deep-seated reasons for Africa's economic malaise.

Researching the poverty impact

In turning now to consider the further methodological issues that arise in examining the ways in which SAPs affect the poor, there is a considerable additional list to consider.

Not the least important of these is the *absence of a strong theoretical base*. Distributional outcomes are weakly integrated into mainstream economic theory. The researcher looking for an established body of theory from which to generate testable hypotheses is apt to be disappointed. In consequence, research tends to be ad hoc, not infrequently tendentious.

A focus on poverty aspects also throws up particular *data problems and measurement issues*. Take data first. Gauging the effects of the SAPs on poverty groups requires a good understanding of the nature of poverty in the country under study, of how the various poverty groups are each connected to the remainder of the economy, and of how specific policy instruments affect their welfare. In most countries, such information remains deplorably deficient. Complaints about the poor quality and coverage of data on poverty and income distribution are so universal in the writing surveyed here as to be almost ritual. There is a strong similarity with the complaints about the inadequacies of the data base when distributional issues first became a major focus in development studies a quarter-century ago.⁶ It seems that only limited progress has been made in the meantime, although there are

⁶ See, for example, the influential book *Redistribution with Growth*, edited by Chenery et al. (1974), whose opening chapter begins with a discussion of the limitations of the data and

signs of recent improvement.⁷ Part of the reason, no doubt, is that poverty is intrinsically difficult for statistical services to get to grips with. However, there is also a suspicion that the data sometimes remain poor because governments have not chosen to give such data collection high priority, have preferred not to know.

There are also questions about the concept being measured: the meaning of poverty. The economist's natural inclination is to take individual (or household) income or consumption as the best indicator, usually against some measure of a poverty line (often related to the cost of buying a minimum diet). Such measures of "income poverty" have been elaborated so as to go beyond the mere counting of heads above and below a poverty line, to obtain statistical indicators of the depth and severity of the problem.

Such approaches have been criticized as too narrow, however. The UNDP (1997: 16), for example, identifies two additional perspectives:

- * A *basic needs* perspective, where poverty is seen as a deficiency of the minimum material requirements to meet human needs, including food and such non-income items as access to publicly provided basic education, health and other essential services, and perhaps access to employment opportunities.
- * A *capability* perspective, which refers also to the possibilities of enjoying some minimum level of human self-esteem, including participation in community life and governance.

The second of these is essentially subjective but even the others throw up a large number of objective indicators.⁸

If they were close substitutes, availability of a range of choice would simplify things for the researcher. However, they behave differently, particularly in their sensitivity to adjustment measures. Non-income poverty indicators have proved rather impervious to the influence of adjustment. Psacharopoulos et al. (1992) reported a general improvement in social indicators like infant mortality, malnutrition and immunizations for Latin America in the 1980s, despite rising unemployment and declining real wages and social service provisions. Kakwani et al. (1990) and Zuckerman (1991) observe a similar phenomenon for a wider sample of adjusting developing countries, with the former reporting no discernible differences in trends in such indicators as between adjusting and non-adjusting countries. For both immunization programmes and food security, the relative robustness of these indicators is doubtless

whose penultimate chapter is devoted to statistical priorities.

⁷ See Demery and Squire (1996) for an account and utilization of an improving data set for a number of African countries. But see later in this paper for some criticism of their use of the data.

⁸ See Carvalho and White (1994) for a systematic presentation of these. They list no fewer than 48 different indicators.

influenced by the (non-adjustment) activities of aid donors. Income (or consumption) indicators have proved more sensitive to the general performance of the economy—and to the policies primarily affecting it—which helps to explain why a large proportion of the studies surveyed in Sections 3 and 4 use income or consumption measures.

The choice between the perspectives identified above is not value-free, however. What economists call “non-economists” are more inclined to stress the basic needs and capabilities aspects of poverty and to criticize the narrowness of the income approach. Even within economics there is something of an ideological divide, with the mainstream neoclassical school more inclined to concentrate on income poverty, while those of a more structuralist inclination place greater insistence on the desirability of using a wider range of indicators.

There are policy ramifications, too (Ravallion, 1997b). Concentration on income poverty tends to point towards the importance of measures that will accelerate economic growth (echoing the “trickle-down” rationale of an earlier period), just as a wider range of indicators is more likely to suggest the need for active state intervention and for redistributive measures. In institutional terms, this can be dramatized as the World Bank versus the UNDP, with the Bank in the vanguard of those who emphasize the importance of economic growth for poverty reduction (although not to the exclusion of structural and distributive measures) and the UNDP giving voice to those pointing out the limitations of relying on growth to cure poverty. Indeed, the 1997 issue of the UNDP’s Human Development Report develops an index of poverty that excludes measures of private income or consumption altogether (UNDP, 1997: 17–20). We revert to these matters in Section 3.

The data problems of the researcher are further complicated by the heterogeneity of the poor and of the ways in which developments in the wider economy affect them. The poor need to be differentiated according to their sources of income, the extent to which they are integrated into the modern economy (including their reliance on purchased housing and food), the assets (including the skills) they command, and so on. Moreover, research indicates the importance of not stopping with the household as the unit of observation and to include intra-household distributions of assets, incomes, tasks, basic needs and decision making powers—factors that are important when examining for gender-specific effects of adjustment measures.

Three further factors may be mentioned. The first is the distinction between “the poor” and “the poorest”. The poorest of the poor tend to be economically marginalized. In the rural economy those among the poorest with land come nearest to the classical concept of the subsistence farmer, growing food for family consumption and with only limited connections with the market economy. Weak integration into the modern economy is similarly a characteristic of the urban poorest, eking out a living as best they can in the informal economy. Being the most marginalized, the poorest tend also to be the least counted, the most likely to fall outside the statistical net. In practice, therefore, economic research tends to be biased away from them; researchers who wish to examine effects on the poorest will have to make a special effort to do so.

The second additional consideration relates to the permanence of poverty. Although the

evidence here is slight, work on Côte d'Ivoire by Grootaert (1995: Table 6), to which we will return later, suggests that there can be rapid movement into and out of the poverty categories, with a 71% increase in the number of people below the poverty line over a mere three-year period. However, it is a strong hypothesis that the degree of volatility is highly sensitive to the measure of poverty chosen. It can be conjectured that basic needs -type poverty measures would reveal substantially less mobility.

Finally, we should recognize as a special category the so-called "new poor", i.e., those previously above the poverty line who are pushed below it, or who suffer large reductions in living standards, as a direct result of adjustment measures. The Public sector workers who lose their jobs as a result of retrenchments or privatization are among the archetypes as are those whose real earnings are severely reduced by wage freezes or withdrawal of subsidies.

There is, then, no single class of "the poor" and researchers need to be careful in classifying poverty groups according to the ways in which they fit into the economy and are affected by adjustment measures, and to be clear about which groups they wish to study.

Some of the complexities are illustrated in Table 1. Although the effects vary from country to country, the table attempts to illustrate for a "typical" low-income economy the impact of measures commonly incorporated in SAPs that are most likely to affect the welfare of poverty groups.⁹

⁹ Note that for simplification, various groups of economic dependents have been omitted from Table 1, although in practice the young, the elderly, the disabled and other dependent groups are liable to number among the more vulnerable in most societies. Another omitted category is the "new poor", just described.

Table 1: Potential impact of selected adjustment measures on various poverty groups

Adjustment measures	Urban poor			Rural poor		
	Working poor	Unemployed	Cash crop	Smallholders Food exporters	Food importers	Landless/ working poor
Devaluation	N	P	P	?	?	P
Other export promotion		P	P			P
Import liberalization	N	P	P	?	P	?
Government food subsidy reductions	N	N	N	P	N	N
Civil service retrenchment	N					
Cuts in social services	N	N	N	N	N	N
Increased indirect taxes	N	N	N	N	N	N
Cost recovery measures	N	N	N	N	N	N
Public enterprise reform/ privatization	N	P	P	P		
Wage freeze	N	P		N		?
Credit squeeze	N	?				

Key: N = substantial and negative
P = substantial and positive
? = potentially substantial but sign indeterminate
Blank entries indicate no substantial effect

Note first how the effects are vary across different groupings of the poor. Import liberalization, for example, is likely to harm the urban working poor by forcing the closure of inefficient local import-substituting industries that can no longer compete, throwing them out of work. Those already unemployed in the urban economy, on the other hand, are apt to gain through improved availability and quality of imported supplies. The same goes for smallholders growing cash crops, who may benefit from lower prices and more dependable availability of such inputs as fertilizers, insecticides and farm equipment. Smallholders who grow food but who still need to buy some of their requirements ("food importers") might also gain through lower prices as a result of import competition. The welfare outcome for smallholders who market a surplus of foodstuffs ("food exporters") is indeterminate, with both welfare-raising and welfare-reducing influences at work, and this is also liable to be the situation with landless people who rely on agricultural employment and off-farm sources of income.

Adjustment measures, then, can be expected to affect the various poverty groups differently and this makes it harder to generalize about overall effects. Thus, among smallholders there are apt to be differences in impact on net food exporters and net importers. No less importantly, there are likely to be major differences in impact between urban and rural poverty groups. With most of the poor living in rural communities, changes in agricultural policies and measures that affect the availability of off-farm income are likely to be particularly strong influences on the eventual outcome. Sahn et al. (1996) also stress the large influence of trade and exchange rate policies, with the consequences for the poor depending on the extent to which they are (or become) engaged in the production and consumption of tradeables.

Another implication of Table 1 is that it is rather rare for a given instrument to have unambiguous consequences for poverty. Reading across the entries reveals that most measures stand to harm some groups and benefit others. Often, measures have both income-raising and price-raising effects, giving rise to net benefits or detriments that differ across groups; being residuals, the effects can be difficult to identify. The example of trade liberalization has already been mentioned. On the other hand, note the uniformly negative predicted consequences of cuts in social services, increased indirect taxation and cost recovery measures. We return to fiscal policy later.

Given these complexities, it is not surprising (a) that the adjustment—poverty connection has proved difficult to research and (b) that studies have yielded varied results. The OECD study is representative in concluding that the evolution of poverty during an adjustment period varies from country to country, and within a given country (Bourguignon and Morrisson, 1992: 48).¹ Botchwey et al.'s (1998: 4) evaluation of the IMF's ESAF programmes similarly concludes that the social impact of these is highly diverse, so that the "average experience...conceals as much as it reveals". Among African observers, the conclusions of Wangwe's (1997: 31) draft study of the Tanzanian case catches the complexities nicely:

... economic reforms have had both positive and negative impacts on poverty alleviation. The impact depends on where the poor are and the kinds of activities in which they are engaged.... On balance, it seems reasonable to

¹ For similar findings see Kakwani et al., (1990), Sahn and Sarris (1991), and Stewart (1991).

suggest that poverty declined overall [during the reform period], but some of the poor emerged worse off while the rich got richer.

The net effect was an increase in income inequality. If the concept of poverty is broadened to include considerations of social exclusion, dignity and vulnerability, then it seems more likely that poverty has not declined.

Alternative approaches to the research problem

How should the researcher respond to these difficulties? Here it is important to be clear about the issue being pursued. Two different types of question can be distinguished and much of the rest of this paper is organized around this distinction:

Question 1: Did adoption of a SAP cause an increase or decrease in poverty (or inequality)?

Question 2: Was the SAP designed in order to protect (or promote) the welfare of the poor?

Type 1 questions are the more interesting, but raise the more difficult research issues, for here the researcher must respond to the problem of the counterfactual. In fact, Question 1 should be elaborated to ask whether a SAP caused higher or lower levels of poverty *than would otherwise have existed*—a question that necessitates taking a view of the situation that would have obtained in the absence of the chosen SAP. Type 2 questions are less demanding in this respect, being more a matter of studying the specific policy content of a SAP and the extent to which the interests of the poor were taken into account in its design.

Type 1 studies

If, as is most commonly the case, the researcher is using income-based measures of poverty (preferably augmented by non-income indicators), a useful starting point is to try to decompose the results of the SAP (and any estimates of the counterfactual outcome) into its growth and distributional effects. We can think of a SAP as influencing the growth of the economy (up or down) with the distribution of income held constant, in which case the income of the poor changes at the same rate as everyone else's; or we can think of SAPs affecting the poor, for good or ill, by inducing changes in the distribution of a given amount of income. Or, most realistically, we can think of SAPs as resulting in some combination of income and distributional effects. There is now a substantial literature on the techniques of decomposing growth and distributional effects.² We will make use of this way of thinking about the issue in Section 3.

The most frequently used approach to country-specific research on the effects of SAPs is based on a comparison between periods in which a SAP is in force and those in which there is no SAP. This approach is generally referred to as the *before-after* method, comparing poverty (or distributional) outcomes prior to, and after, adoption of a programme. The sequence may be different, however, when comparisons are made between the poverty situation during the currency of a SAP and after it has been abandoned. We shall later report one such study (Grootaert, 1995).

² See McKay (1997) for a recent succinct survey of this literature, as well as Grootaert (1995).

The before-after approach has the advantage of being relatively easy to conduct. It yields information on whether programmes were associated with an improvement of the initial situation. It is also useful for information on whether programme effects are sustained. Results can be seriously misleading, however, because of the influence of exogenous shocks and other non-programme influences, and the research needs to take the extent of programme implementation into account.

Above all, the before-after approach does not offer much solution to the counterfactual problem. The implicit assumption here is generally that the counterfactual is represented by a continuation of the *status quo ante*. This is not legitimate, however, because a high proportion of SAPs are adopted during economic crises, or anyway when the government recognizes that a continuation of previous policies is not a viable option. It is this factor, failing to consider realistic alternatives, that results in the common tendency for such studies to exaggerate the ill effects of SAPs.

An alternative—and on the face of it much superior method—is to use a *model-based approach* that permits (multiple) plausible alternative scenarios to be simulated, for comparison with actual outcomes. Section 3 reports a number of such studies. Social accounting matrixes (SAM) and Computable general equilibrium (CGE) models are among those that have been used. A number of the country studies associated with the OECD project (Bourguignon and Morrisson, 1992) used SAMs, as did Hassan (1994) for the Sudanese case. Bartsch (1997) is among those who opted for a CGE model, applied to an examination of the poverty effects of structural reforms in Egypt. Benjamin (1996) also used a CGE model for studying the distributional consequences of adjustment in Cameroon.

In principle, model-based approaches deal far better with the counterfactual problem but have substantial practical disadvantages of their own. They are apt to be heavily demanding of a wide range good-quality data—always a problem in the African context but particularly so when specifically studying poverty or distributional aspects (the “garbage in, garbage out” problem). They necessitate a degree of formalism—and range of assumptions—that is apt to lose a good many of the realities of the situation. And the results obtained are often sensitive to the specification of the model used (which itself is likely to be distorted in order to accommodate the data constraints). There is an ever-present danger that the results end up telling us more about the model and its limitations than about the realities of the economy under study.

A more inductive and disaggregated approach might be called a *cause-effect approach*. Instead of starting at the economy-wide level, this begins with the attributes of defined poverty groups and an understanding of the chief influences on their poverty, including the ways in which government policies impinge on their well-being. The approach then is to examine the policy content of the SAP (and of some counterfactual set of policies) to assess to what extent the adjustment measures have affected the poverty group(s) in question. One of the advantages of this approach is that it does not confine the researcher to income-based indicators of poverty as the previous two approaches tend to. Indeed, it is important for this method to take a more holistic view, to examine a wider range of influences on the welfare of the poor. Another advantage is that it is likely to be superior in bringing out the strength of non-SAP influences on changes in poverty. Its disadvantage is that it rests on a level of knowledge of the nature of poverty, and of how the poor are integrated into the wider economy, that remains rare. It is also more partial, can be less rigorous, more impressionistic.

Type 2 studies

In practice, the cause-effect approach just outlined shades into the Type 2 studies, which focus on the extent to which the specific provisions of SAPs have been designed to protect the welfare of the poor. Among the more specific issues commonly pursued here are the ways in which SAPs affect the composition of government spending, especially on social services and other items of particular interest to the poor, the effects of subsidy withdrawals and of the imposition of user charges, and the adequacy of any safety-net provisions.

This approach, then, is more partial, less macroeconomic. It is likely to necessitate an analysis of the *incidence* across economic classes of changing government provisions resulting from adoption of a SAP, or examination of their effects on identified poverty groups. It therefore requires detailed information that is unlikely to be available from secondary sources, necessitating survey work or other primary data collection. Note, though, that the counterfactual problem is less acute here, for the issue is not to assess the overall impact but rather to examine the poverty implications of the detailed design of the SAP. Even here, however, the counterfactual cannot be escaped altogether, for the design of a SAP has to be assessed against some view of what feasible alternatives existed.

3. The evidence on SAPs and poverty in Africa

The next step is to survey the results of past poverty studies on the growth and distributional effects of SAPs, which we will organize around the distinction between Type 1 and Type 2 questions introduced above.

Growth effects

The underlying logic of our investigation is that growth should help reduce poverty, policy improvements should enhance growth rates and SAPs are intended to raise the quality of policies.

A number of cross-country econometric studies have been undertaken to elucidate the connection between economic growth and income poverty, mostly based on samples of developing countries that include only a limited number of African countries. A recent

example, based on a sample containing 61 observations drawn from 26 developing countries (only one of which, however, is African—Nigeria) finds a roughly one-to-one relationship between overall growth in per capita GNP and the incomes of the poorest 20% and 40% of the population. Coefficient values and other results are as follows (Roemer and Gugerty, 1997: Table 4):

	<i>Poorest 20%</i>	<i>Poorest 40%</i>
coefficient	0.921	1.008
t-ratio	5.829	8.453
adjusted R ²	0.356	0.549

In only 6 (mostly Latin American) out of 39 observations was annual per capita economic growth greater than 2% associated with falls in the incomes of the poorer segments of the population, although there were a number of additional cases where substantial overall growth left the incomes of the poor much as they had been. In most economies that experienced periods of declining per capita GNP (Nigeria included) the incomes of the poor also fell.

These striking results are consistent with evidence from earlier studies. Fields (1989) found from a sample of 18 developing countries that in only one case was growth not associated with falls in income poverty. The Operations Evaluation Department (OED) of the World Bank (1995a: 45 and *passim*) similarly found growth to be the most significant influence on changes in income poverty. From a total of 33 developing countries (including a number of African countries), poverty declined in 19 of the 24 experiencing positive growth, and increased in all 9 of those with declining GDPs. Other work in the World Bank produces comparable results.³

The results cited above all related to associations with *income* poverty. What about other aspects of poverty? According to Ravallion (1997b: 634), one of the principal authors in this field:

Here the association is just as strong. High correlations are observed in crosscountry data between average incomes and human development indicators, and between their rates of change over time. Indicators of attainments in standard “non-income” dimensions of welfare have rarely deteriorated with sustained economic growth.

Most of the evidence used in the regression tests discussed above was drawn from non-sub-Saharan African countries. What about the African case? The evidential base here is much weaker. Demery and Squire (1996) use household surveys in six African countries⁴ and,

³ See Bruno et al, 1996; Deininger and Squire, 1996; and Ravallion and Chen, 1997.

⁴ Côte d’Ivoire, Ethiopia, Ghana, Kenya, Nigeria and Tanzania.

while acknowledging the fragility of the data, conclude that in each of these countries growth (positive or negative) was the principal influence on poverty. Poverty declined in the five countries in which overall growth occurred during the periods under study, and increased in the one country in which per capita income declined.

Before we conclude that trickle-down approaches to poverty reduction can be rehabilitated, some qualifications are necessary. While the consistency of results from regression-based cross-country tests points rather decisively to the positive influence of growth, its explanatory power in these tests is not always large. Note first the values of the Roemer and Gugerty (1997) adjusted R^2 s reported above: a fairly typical result. In nearly a third (8/26) of their observations growth was associated with *reduced or static* incomes among the poorest quintile; and out of seven observations of static or declining per capita income the incomes of the poorest quintile *rose* in three cases.

The OED study cited earlier, while finding the expected statistical association, added that in most cases the reduction in poverty resulting from growth was very small: “the annual average reduction in poverty was insufficient in most cases to make big dents in the number of poor” (World Bank, 1995a: 45), particularly in Latin America and Africa. In fact, it found that the elasticity of poverty with respect to growth was the lowest in Africa of all developing regions. Ali (1996) also finds the elasticity of income poverty with respect to growth to be less than unity and to be smaller than responses to changes in the Gini measure of inequality. Influences other than growth, affecting the way incomes (and other welfare indicators) are distributed across the population, are at least as important. The rehabilitation of trickle down is only partial.

Granting that growth is essential if poverty is to be much reduced in Africa, is it the case that SAPs help reduce poverty by accelerating growth? The connection, of course, is the reform of economic policies. A substantial volume of evidence points to the influence of policies on growth.⁵ Fischer (1993) finds growth to be strongly and significantly associated with various macroeconomic policy instruments; Dollar (1992), Sachs (1996), and Sachs and Warner (1995) all find positive associations between growth and the pursuit of relatively “open-economy” trade policies. Demery and Squire (1996: 40) reach a similar conclusion from their study of six African countries, arguing that their analysis “provides the most convincing evidence to date that economic reform is consistent with a decline in overall poverty...” However, this properly cautious and qualified conclusion rests heavily on a detailed comparison of the data for just two countries, Côte d’Ivoire and Ghana, and, for the latter, on a fragile interpretation that the data indicate a reduction in poverty in Ghana during 1988–1992. This evidence is ambiguous, however, as another paper of which Demery is a co-author makes clear (Demery et al., 1997: 12–14), hinging on small changes in heavily-corrected data and on judgements about the degree of influence of favourable rainfall and other exogenous factors. Ali’s (1996) empirical work for a sample of ten SSA countries drawn from the same source as Demery and Squire does not support the latter’s conclusions.

Burnside and Dollar (1997) approach the matter differently in their study of the growth effects of development assistance. They find (with others) that taking all countries together, aid receipts have little impact on economic growth, but they also obtain “a robust finding ...

⁵ See Roemer and Gugerty (1997: 18-19) for a somewhat fuller survey of this literature.

that aid has a positive impact on growth in a good policy environment” (p. 33). Hadjimichael *et al.* (1995: 51, 55) arrive at similar conclusions. Specifically on Africa, the World Bank (1994: chap. 5) presents evidence pointing to the positive effects of policy reforms on economic growth and other aspects of economic progress. These findings have been disputed (Schatz, 1995; Mosley *et al.*, 1995), but a careful re-examination of the same evidence by White (1997: 18 and *passim*) broadly confirms the Bank’s results. Improved macroeconomic policies do appear to have caused significantly higher rates of economic growth. White also points out, however, that to a greater or lesser extent the resulting growth may have been largely a matter of moving from well within the production possibility frontier to some point nearer to it, so that the effect of the policies on *long-term* growth is less clear.

Since it is common sense, almost a tautology, that policies will affect economic performance, there is little reason to labour the potential for policy improvements to accelerate economic growth and improve the welfare of the poor. But can we assume that the SAPs of the IMF and World Bank have had the effect of improving policies in Africa and, by that means, of raising the rate of economic growth?

Particularly in the case of World Bank programmes, there is indeed evidence of positive association between implementation and economic outcomes: well executed programmes tend to be associated with better economic performance. Implementation is often weak, however.⁶ One symptom of this is that programmes have high mortality or interruption rates. Over half (53%) of all IMF stand-by, extended and structural adjustment facility programmes were discontinued before the end of their intended life in 1980–1993; 61% in 1991–1993 (Killick, 1995a: Table 3.3). As at April 1993, only 5 of a total of 26 enhanced structural adjustment facility programmes had been completed within their planned period and 8 had apparently broken down altogether. As for World Bank programmes, Bank data for 1989/90 to 1993/94 show that only a quarter of programmes proceeded according to their intended schedule, with half of programmes either seriously delayed or, in a few cases, abandoned altogether. On average, adjustment programmes take twice as long to complete as intended, largely because of non-implementation of policy conditions—and this despite much pretense by both parties that conditions have been complied with when in substance they have not (Killick, 1998: chap. 5 and 6). By no means all these departures from plan represent “failures” but enough of them do for the two institutions to be concerned.

A further symptom of poor implementation is that programmes have only modest impact on key policy variables and even less on institutions. There is little evidence that IMF programmes exert restraint on the core programme component of domestic credit, although they do exert a decisive and sustained influence on exchange rates. There is also quite a strong association with reform of other price variables, such as interest rates, agricultural producer prices and the deregulation of consumer prices. However, SAPs have greater difficulty in influencing institutional change, e.g., in financial sector reforms and privatization programmes. The Bank’s *Adjustment in Africa* (1994) report judged that only 6 out of 29 “adjusting” countries had achieved decisive improvements in macroeconomic policies. In a follow-up study, 15 out of 25 adjusting African countries were still judged to

⁶ The following paragraphs draw on evidence to be presented more fully in Killick, forthcoming, Chapter 2. See also Killick (1997) for a brief summary of the larger study.

have "poor" or "very poor" macroeconomic policy stances in 1991/92 even though among them these countries had received 110 Bank adjustment credits since 1980.⁷ The quality of policy was judged to have deteriorated during 1992 in 8 of the 25, even though 7 of the 8 had Bank adjustment programmes during that year.

Further evidence of the relative impotence of IFI conditionality is the failure of SAPs to achieve significant fiscal reforms. The OED report is frank (World Bank, 1995a: 15):

... fiscal adjustment has not resulted in more efficient spending in most countries. In many countries, expenditure reductions have worsened existing biases and inefficiencies. The extent of public expenditure restructuring has been very limited during the adjustment era. In most countries for which data are available, more resources were allocated to services that benefit the non-poor. The bias towards higher education appears to have worsened during adjustment, and significant imbalances between spending for hospital care and primary care have also remained in the health sector.

There is, moreover, little evidence for any decisive IFI influence in reducing the scale of borrowing-government budget deficits.

Even the limited claims that can be made probably overstate the degree of programme influence because some of the changes would have been introduced in any case. Moreover, a good many of the reforms have not been sustained, with governments reverting to old practices or introducing equivalent interventions by other means.

Given shortfalls in implementation and the limited impact of SAPs on policy variables (to say nothing of a tendency for SAPs to be associated with reduced levels of capital formation), it would be surprising if they had accelerated economic growth to an extent that would make much contribution to the reduction to poverty. The results of research on the growth effects of SAPs in Africa (or in low-income countries) bears out this scepticism.

Taking first World Bank structural adjustment programmes, the Bank's own studies (1988, 1992), covering a global sample of adjusting developing countries, do find significantly positive growth effects but also that growth remains very low in low-income countries. Elbadawi (1992), on the other hand, obtains no significant growth effect in African countries, although he does obtain a positive and significant association for low-income countries taken together. Faini et al. (1991) and Mosley et al. (1991) find no consistent influence in either direction for low-income countries. What of the IMF? The evidence on this is surveyed in Killick (1995a, chap. 3), with the similar conclusion (p. 125) that there is little evidence that IMF programmes are associated with any significant change, in either direction, in the growth rates of programme countries.

In short, then, while it appears that growth is generally beneficial to the reduction of poverty and that when effectively implemented, macroeconomic policy reforms have improved growth in a number of African countries, there is little convincing evidence of a significant association between the programmes of the IMF and World Bank and improved growth in

⁷ Calculated from Bouton et al. (1994) and World Bank data on adjustment credits.

Africa. Apart from the structural inflexibilities of many African economies, dampening their responsiveness to policy changes, poor programme implementation is a major weak link in the poverty—growth—policy—SAP chain. Ownership is all, it seems.

What, now, of distributional effects?

Distributional effects

The general finding of the studies cited earlier, which decompose the growth and distributional influences on changes in income poverty, is that *growth effects dominate*.⁸ Either growth is associated with improving or unchanging income distributions or, if increases in inequality do occur, these do not happen at a sufficient rate to cancel out the benefits of growth. The results in Demery and Squire (1996) for five African countries, reproduced in Table 2, are broadly representative of the larger literature here, with reductions in poverty resulting from economic growth (or increases resulting from recession in the case of Côte d'Ivoire) substantially outweighing the estimated effects of changing income distributions. Note that of the five, all except Côte d'Ivoire were assessed to have improved the quality of their macroeconomic policies during the periods in question, along the lines associated with SAP provisions.

Table 2: Poverty trends in five African countries
(changes in head count indexes in percentage points)

Country effects	Period effects	Growth change ^a	Inequality hard-core	Total net change ^a	Change in poverty ^b
Côte d'Ivoire	1985-88	+19.4	-3.5	+15.9	+4.1
Ghana	1988-92	-4.8	-0.4	-5.2 ^c	-4.0
Kenya	1981-91	-6.2	+3.4	-2.8	+4.0
Nigeria	1985-92	-13.6	+4.7	-8.9	+2.5
Tanzania	1983-91	-33.4	+19.3	-14.1	+10.6

Notes: ^aChange in head count index.

^bChange in head count index taking the poorest 10% in the initial year.

^cCorrected figure. Shown as -5.5% in original.

Source: Demery and Squire, 1996, Tables 2, 3 and 4.

We cannot here go into the large empirical literature on whether growth in low-income countries results in increasing inequalities (the Kuznets hypothesis),⁹ but there probably would be little dispute that economy-wide measures of inequality (relative poverty), such as the Gini coefficient, change only rather gradually, more gradually than total incomes, so that increasing relative poverty (inequality) is consistent with declining absolute poverty.

⁸ This appears to conflict with the findings of Ali (1996) and others that poverty is more elastic with respect to changes in income distribution than to GDP growth. However, there is no necessary contradiction here if, as is probably the general case, the GDP variable is more rapidly changing than the chosen measure of income inequality (the Gini coefficient in Ali's case).

⁹ See Bowman (1997) for a recent contribution to this literature and for a useful set of references.

Another important finding is that the responsiveness of absolute poverty to growth is influenced by the initial extent of inequality: poverty is less elastic with respect to growth where initial income differences are large (Ravallion, 1997a). According to the UNDP (1997: 73), “recent studies” (not specified) indicate that the responsiveness of poverty in highly unequal societies (Gini = 0.50) is only a third of that in more equal societies (Gini = 0.25).

This result needs to be set alongside another, relating to Africa. Although the data here are unsafe, the OED study (World Bank, 1995a: 9) found (a) that although it is variable across countries, inequality in Africa is large, comparable with that in Latin America—which has long been regarded as suffering from exceptionally large inequities—and (b) that there was a particularly strong tendency for inequality to increase in Africa. It would be wise to treat these findings as no more than tentative, but if they reflect reality, the implication is that growth in Africa is less likely to result in satisfactory rates of poverty reduction than would otherwise be the case.

The finding of rising inequalities is consistent with the Demery and Squire results in Table 2 showing that inequality increased in three of the four countries that had experienced positive growth (and improved macro policies), while it diminished in the one country (Côte d’Ivoire) that had suffered declining incomes. In a more detailed study of the same country (and the same data set), Grootaert (1995) comes to the same conclusion: the large observed increase in poverty in 1985–1988 would have been even greater had it not been for some reduction in inequality during the same years, suggesting that economic recession hit the well-to-do proportionately even harder than the poor. The tendency for changes in inequality to *partially* offset changes in average incomes is found in yet another study originating in the World Bank (Ferreira, 1996), which concluded that the reductions in absolute poverty in Tanzania that occurred in 1983–1991 would have been substantially greater had there not occurred at the same time an increase in inequality. However, the quality of data available for this study renders the results no more than suggestive.

Overall, although the evidence is highly unsatisfactory, it appears that SAPs have either been associated with, or have been unable to prevent, growing inequalities. What is certain, of course, is that SAPs can have powerful distributional consequences, affecting various groupings differentially, and this makes it harder to generalize about overall effects.

Thus, as indicated earlier in connection with Table 1, among smallholders there are liable to be differences in impact upon net food exporters and net importers. There are also likely to be major differences in impact between urban and rural poverty groups, with much of the brunt being born by the former. Indeed, so strong is this effect that adjustment has been observed to have significantly narrowed urban-rural inequalities in a number of countries. Within Africa, this has been observed for Côte d’Ivoire (Schneider, 1991; Grootaert, 1995), Ghana (Roe and Schneider, 1992; World Bank, 1995b) and Tanzania (Wagao, 1992).

What happens to the poorest of the poor? These are usually economically marginalized. Living in a culture of poverty, they are apt to be left behind by economic expansion. By the same token, however, it can be hypothesized that they are less at risk from economic downturn and from the effects of SAPs. They pay few taxes and enjoy few government

services; they have no access to the formal financial system; they are not touched by wage freezes; they have no formal sector jobs to lose; their livelihoods are little affected by the economic cycle or by changing relative prices. On the face of it, it is "the poor", rather than "the very poor", who seem most at risk in adjustment programmes, and who stand the best chances of gaining. This appears especially true of the urban poor: note in reading down the columns of Table 1 that the urban working poor are uniquely identified as being affected adversely by each listed policy measure.

Does the evidence bear out these plausible speculations? This is near-virgin territory for researchers, for there is little African evidence. A more global cross-country study by Ravallion and Chen (1996) found, contrary to the above, that the incomes of the poorest (defined as those with incomes equivalent to less than \$1 per day) were especially responsive to increases in average incomes, with a coefficient value of 1.8, while Bruno et al. (1996) also found (but from essentially the same database) that severe poverty is highly responsive to general growth.

The very limited evidence for Africa is less encouraging. The Demery and Squire (1996) study also examines changes in hard core poverty, i.e., the incomes of the poorest 10% of the population, in the five countries for which there were data. Their results are reproduced in the right-hand column of Table 2. Of the four in which there had been overall reductions in head count poverty they found that hard core poverty had actually worsened in three, as well as in the one country where overall poverty had also worsened (Côte d'Ivoire). Only in Ghana was hard core poverty measured to have declined and even there it fell by less than overall poverty. If indeed there is a general trend towards greater inequality in these countries, these results are consistent with the hypothesis that redistributions of income are occurring that have especially adverse effects on the poorest. But **this** is speculation. We repeat that this is a rich area for future research.

What of the position of women? Here too it is difficult to get far beyond speculation. Alternative hypotheses can be suggested. Elson (1991) suggests plausibly that SAPs may particularly adversely affect women because they are constrained by household duties and discrimination in credit, product and labour markets from taking advantage of new opportunities that SAPs may create. Traditional divisions of labour in the rural economy, in which the menfolk are responsible for, and receive the income from, the cultivation of cash crops while the women grow the food, would also tell against women in the reorientation of incentives in favour of tradeable goods, which is a trademark of SAPs.

A contrary speculation argues that if the incidence of poverty among female-headed households is greatest in rural areas, whereas poverty in the towns is related more to the low incomes of male household heads, and if SAPs shift relative incomes in favour of the rural economy, programmes may rather improve the relative (but not necessarily the absolute) position of female-headed households initially below the poverty line.

What does the evidence show? There is precious little of it. The CDR (1995: 61-63) has carefully surveyed such information as it could find, with mixed results. For instance, in Ghana women's access to traditional forest products, e.g., honey, declined because of a SAP-induced expansion of cocoa farming, while in Tanzania their access to land was reduced by

informal land privatization. The emphasis on export crops, and withdrawal of agricultural subsidies and services to food crop production, is also claimed to have worked against women, e.g., in Malawi. In Zimbabwe the CDR reports that while public sector retrenchment programmes did not discriminate by gender, women were under-represented in subsequent re-training programmes. Within manufacturing, Zimbabwe's textile industry, employing a female-dominated labour force, was hit particularly hard by liberalization. It is also reported from Zimbabwe that women's incomes from service and informal activities were adversely affected by growing competition from unemployed men (although how much of this might be attributed to adjustment policies is unclear).

The truth on this is that we have little solid evidence in either direction. We suspect, but do not know, that SAPs impinge particularly on poor women, nor do we know on which poor women. There is huge scope for serious research here.

The causes of poverty

Given the inconclusive nature of much of the evidence surveyed above, we turn now to what was earlier described as the "cause and effect" approach to ascertaining the poverty effects of SAPs. This examines the attributes of poverty groups, and the causes of their poverty, to assess the likely poverty effects of the policy content of a given SAP. This is not the place for a discussion of the manifold causes of poverty in Africa, however. We must content ourselves with a bald statement of the chief causes, organized under the headings of (a) incomes and productivities, (b) social-political factors, and (c) inequalities.¹⁰

Incomes and productivities

If, as reported earlier, the growth of average incomes is the dominant influence on *trends* in poverty, it follows that poverty is substantially a function of the inadequacy of incomes (and therefore productivities) in Africa. Since most African poverty is rural, low productivity in agriculture and other rural activities suggests itself as particularly important.

The poor have inadequate access to educational and other economic and social services, leaving them with few modern skills. Largely as a result of this, the assets of the poor have low productivities, partly reflecting weak ability to take advantage of modern technologies and little access to formal sector credit. There is a particularly large gap between actual and best practice techniques in much of African agriculture. Their low levels of human capital also leave the poor vulnerable to the impoverishing effects of ill-health, of which rapid rises in the numbers of widows and orphans caused by AIDS is a specific and increasingly important aspect in some countries.¹¹

¹⁰ General surveys of the causes of poverty in Africa are provided in World Bank (1996) and (relating to *rural* poverty) in IFAD (1993). See also World Bank (1995a).

¹¹ It has been estimated by UNICEF, for example, that in Zimbabwe the number of orphans alone is likely to increase from 67,000 in 1992 to 600,000 by 2000 (Killick et al., forthcoming).

The effects of SAPs may be strongly influenced by patterns of asset ownership, e.g., as between the production of tradeable and non-tradeable goods and services, to be illustrated shortly. The slight productive assets of the poor are compounded, in rural areas, by deteriorating soils and other environmental conditions, setting up a vicious circle in which the survival strategies of the poor themselves add further to the degradation of resources. Natural disasters play a role, too, particularly in drought-prone areas.

Social and political factors

Economic dependency is a further factor tending to perpetuate poverty; that is, a concentration of the un- and under-employed in poverty households, plus exceptionally large family sizes, result in heavy child dependency.

Political fragmentation and civil strife are other potent forces.¹² The devastation these can bring to the rural poor is demonstrated by the recent histories of Ethiopia, Somalia, Mozambique, Uganda, Rwanda and others. Huge displacements of people with few resources result, disrupting services and attempts at assistance, and depressing production, saving and capital accumulation.

There is also the issue of power. The poor have little market power and this, in combination with often undemocratic political structures and limited government accountability, feeds into weak political power, resulting in low priorities for anti-poverty measures and in pro-urban policy biases. Additionally, political traditions in Africa are often centralist, top-down, leading to weak participation of the poor in programmes intended to assist their communities, particularly impinging on the *capabilities* dimension of poverty described earlier, and the incidence of social exclusion.

Inequalities of income and wealth

We have already reported evidence suggesting that incomes in many African countries are highly skewed and that large initial inequalities weaken the power of economic growth to reduce absolute poverty. Although the situation varies greatly from country to country, large inequalities of wealth often underlie income inequalities. Given the rural nature of most African poverty, the distribution of land is of particular importance and often highly unequal.¹³ An interesting regression analysis by Tyler et al. (1992) examines the relative effectiveness of growth-based and redistributive policies in reducing rural poverty in developing countries, concluding that there would be substantially more mileage in measures reducing inequalities in land ownership: cutting the Gini coefficient of land ownership by a third would reduce income poverty by about a half, whereas it would take 60 years to achieve a similar result if per capita GDP were to grow at 3% per year.

¹² According to the World Bank (1996: 39), there was a total of 210 military coups affecting 84% of the 45 states of Africa between 1960 and 1982. This situation improved in the 1980s, but refugees and displaced persons remain a dramatic problem, affecting 2.5% of Africa's total population.

¹³ Zimbabwe offers an, admittedly extreme, example here (reported in Killick et al., forthcoming). It was estimated for 1991 that 50% of the population received less than 15% of

Tendencies towards capital intensive growth paths, with a corresponding weak growth in the volume of formal sector employment, further tend to perpetuate poverty. Access to employment is of enormous importance to the poor, both as a direct source of income and as the basis of the urban-to-rural remittances upon which so many rural households rely to augment their incomes.

How do SAPs affect the causes of poverty?

Armed with this thumbnail sketch of poverty in Africa, what might we deduce about the probable effects of SAPs? We will defer for the moment the effects of SAPs on the provision of the government services that have most impact on the poor. This leaves only two more or less substantial bodies of evidence, relating to agriculture and to employment.

Potentially one of the most positive aspects of SAPs for the poor is that the shifts they seek to produce in relative prices tend to favour the rural economy. As already illustrated in Table 1, changes in price incentives in favour of tradeables vis-a-vis non-tradeables are likely to benefit some of the rural poor, as also is trade liberalization. However, as the table is designed to show, much depends on whether poor households are net sellers ("exporters") or buyers ("importers") of foodstuffs, and the extent to which they participate in the production of cash crops. Ghana and Malawi represent opposite extremes in this regard. In the cocoa-growing areas of Ghana even the poorest smallholders commonly have some cocoa trees and have benefitted from the much improved real producer prices resulting from devaluations and other adjustment measures (Roe and Schneider, 1992). In Malawi, on the other hand, smallholders were until recently forbidden from growing cash crops that competed with estates, such as tea, sugar and flue-cured tobacco (Lele, 1990).

Where cash crop production is dominated by large estates, the poverty reduction potential of improving price incentives is obviously more limited. One example of this is provided in a study by Hassan (1994), examining structural adjustment policies in Sudan in the early 1980s, which has the additional merit of estimating a (SAM-based) counterfactual case. Hassan shows that policies in the agricultural sector concentrated on expanding output and export of irrigated cotton, which, however, had only weak income linkages with rural households when compared with traditional rain-fed agriculture, livestock and forestry. The latter were relatively neglected by the SAP, with adverse consequences for the welfare of

total incomes, while the richest 3% received 30% of the total. The Gini coefficient for the country as a whole was estimated to be 0.57, which is exceptionally high and about the same as South Africa. Underlying this is a highly skewed distribution of agricultural land. About 4,660 large-scale commercial farms, largely owned by white farmers, occupy 11.2 million hectares, with 35% of this in the most fertile Natural Regions I and II, 21% in Region III and 44% in Regions IV and V. The Communal Areas, with a population of approximately 6 million blacks, is made up of 16.4 million hectares, or 42% of the country's total land area, with 74% of this land situated in the poorest agro-ecological zones, Regions IV and V.

There are, moreover, large inequalities within Zimbabwe's black population, with data indicating levels of inequality within the black "communal areas" greater than for the country as a whole.

much of the rural population.

There is considerable ambiguity about the position of food farming in the SAP scheme of things, and the predicted outcome for food farmers. Are locally-grown foodstuffs tradeables or not? In one sense, they clearly are: all foods are capable of entering into international trade and many of them do so. On the other hand, many of Africa's staple foods are not much traded and their internal prices are not, therefore, very sensitive to trade price equivalents. If the essence of tradeability is the sensitivity of internal prices to changes in trade prices, then a substantial proportion of food output possesses the attributes of tradeability to only a limited extent and therefore does not stand to gain much from the realignment of prices.

This may help to explain the relative weakness of response of Africa's agriculture to adjustment measures. Basu and Stewart (1995: Table 6.15) studied this. Even though relative food prices might have been expected to rise as a result of devaluations, reductions in food subsidies and higher producer prices, they found that food prices rose significantly relative to non-food prices in only one out of ten African adjusting countries (Zimbabwe), fell substantially in three other cases (Ghana, Niger, Somalia) and remained roughly unchanged in six other countries. They also found (Table 6.16) that per capita food production declined in 29 out of 40 countries during the 1980s (although many non-SAP factors were also at work, of course), and that this trend was observed in 8 of the 13 so-called "intensive" adjusting countries in the sample. There was a resulting tendency for nutritional levels to fall in half of the "intensive" adjusters.

Although it is now a little out of date, the conclusion reached by a general examination of the impact of SAPs on smallholder welfare in Africa by Sahn and Sarris (1991: 279–81) is probably still a valid summarization of the available evidence:

... there is no unequivocal pattern of increase in the real welfare of the rural poor but ... there are marked differences among countries and regions. This highlights the importance of the structure of rural smallholders' incomes and expenditures and the evolution of relative prices. However, changes in relative prices, and especially in the ratio of tradeable to nontradeable prices, are not sufficient indicators or predictors of developments in real welfare ... there is little evidence of large welfare gains or losses accruing to smallholders in the wake of policy reforms...

One suggestion that emerges from the literature for the weak predictive value of price data is that many of the intended price improvements do not find their way to the farmers. Addison (1993) records this for Tanzania and Ghana as a result of inefficiencies in state marketing boards. Benjamin's (1996) research, and exploration of alternative simulations, also points to the heavy weight of agricultural marketing margins in determining outcomes in Cameroon, urging the potential for farmer welfare of reducing transport and other distribution costs in sectors under little competitive pressure from import, e.g., through rural road-building in the north.

What now about the impact of SAPs on employment opportunities for the poor and their dependents? One of the strongest impacts of SAPs on the causes of poverty is through their

impact on formal sector employment. This is almost invariably negative in the short run, both in the public sector as a result of retrenchments and privatizations, and in the private sector as a result of the increased competition faced by local industry arising from import liberalization. Van der Hoeven (1995: 191) and Basu and Stewart (1995: Table 6.10) both cite ILO data showing the growth of African wage employment in the 1980s to have been much slower than in the preceding period and that the number of jobs in manufacturing had virtually ceased to expand. However, there were a number of factors at work here, not least the limitations of the import-substituting industrialisation policies of earlier decades and the failure of African industry to break into export markets. It would be wrong to attribute all, or even most, of the employment slowdown to adjustment policies.

This point is reinforced by the same authors' reference to the sharply downward trends in real wages over the same period. Basu and Stewart (1995: Table 6.9) show that during the 1980s average real wages declined in 26 out of 28 African countries, in some cases by large amounts. However, they do not attempt to relate these trends to the effects of SAPs; their figures yield the result that the mean decline in real wages among the ten "intensive" adjusting countries for which the data were available was only about two-thirds (14%) of the reduction suffered among the rest (22%) (although reasons were given earlier for doubting the usefulness of this way of categorizing countries). A downward trend in real formal sector wages was under way well before SAPs became a major factor on the continent, not least because of the slowdown in industrialization and the growing inability of the state sector to absorb accretions to the labour force, in combination with rapid long-term population growth and an even more rapid increase in the output of the schools.

A much firmer link can be made between SAPs and retrenchments in the public sector, even though this is an area where governments have been particularly reluctant to implement the measures proposed. In some countries job losses have been substantial. While the impoverishing effects of this have been mitigated by the fact that a good many of the affected workers already had second sources of income (due to typically low public sector wage levels) and a good many more subsequently found alternative employment (including self-employment), there is no doubt that many others have been left much worse off as a result of being made redundant.

The World Bank (1994: 170) cites a number of surveys showing this, particularly among those who turned to agriculture and the informal sector as survival strategies. Citing the same sources, Sahn et al. (1996: Table 14) reproduce data for retrenched workers in Ghana and Conakry, Guinea, showing that while only 4% and 15% of their households, respectively, had previously been in the poorest quantiles of the population, these proportions rose to 20% and 25%, respectively, as a result of redundancy. The same tendency doubtless exists in other countries that have cut back public sector employment, as well as those in which large numbers are rendered unemployed from the private sector as a result of adjustment measures.¹⁴ An inevitable consequence of such results is that it throws more people onto the market for informal sector work, and Basu and Stewart (1995: Table 6.10) cite data pointing to a growing informalization of the labour market.

¹⁴ In Zimbabwe, for example, it is estimated that 10,000–15,000 private sector workers lost their jobs as a result of adjustment measures (Killick et al., forthcoming).

However, over-emphasis on the short-term may result in an excessively negative view of the employment consequences of adjustment. Depending on the nature and magnitude of the initial economic crisis, even the best intentioned governments find it difficult to protect those retrenched from the adverse short-run effects of measures to reduce absorption, raise international competitiveness and restructure the productive system. The hope, of course, is that strengthened longer-term economic performance will more than compensate for the short-run job losses.

Apart from the impact of SAPs on government services and other fiscal measures that impinge on the poor, which is taken up in Section 4, the foregoing is about all the evidence we have on the ways adjustment measures affect the causes of poverty in Africa. It does not add up to much. SAPs are not intended to address the demographic factors contributing to the poverty problem, nor the civil and political strife that aggravate it (although SAP conditionality *is* increasingly addressed to "governance" issues). SAPs can do little for the empowerment of the poor, nor can they be expected to impinge much on the vicious circle of poverty and environmental degradation. They are not addressed to the initial inequalities of income and wealth that make the poverty problem more intractable (we saw earlier that there was no clear evidence of any connection between SAPs and trends in inequality). SAPs *are* addressed to some of the sources of low productivities and incomes that underlie the poverty problem, and to correcting the past capital intensity of growth by raising the cost of capital relative to labour, but the responses of African economies to the measures intended to improve these variables has been generally disappointing, as indicated earlier.

The limited relevance of adjustment policies to the poverty problem is also illustrated by the list of policy priorities suggested by the UNDP (1997: 74–75) for dealing with poverty in most developing countries:

- Raising, the productivity of small-scale agriculture.
- Promoting microenterprises and the informal sector.
- Emphasizing labour-intensive industrialization to expand employment opportunities.
- Accelerating the expansion of human capabilities.
- Establishing a pro-poor economic policy framework.

While, as we have seen, there are specific points of connection between that list and SAPs, clearly the main thrust—and principal objectives—of adjustment measures have a different focus.

It is not surprising, then, that both Sahn (1991) and Green (1991)—writers approaching the subject from different points on the spectrum of opinion—come to the same conclusion, that adjustment has had little to do with causing poverty in Africa. This led Green to express concern that concentration on improving the design of SAPs fails to address the core of the poverty problem, which requires action on a far broader front.

The tendency to attribute to SAPs more influence on poverty than they possess helps to explain the difficulties researchers have in isolating the poverty effects of adjustment. Thus, the OECD study concludes from its multi-country survey (Bourguignon and Morrisson,

1992: 51) that:

... although adjustment and policy decisions sometimes play a determining role ... factors having nothing to do with the adjustment—such as previous investment, the agrarian structure, meteorological disasters or private remittances from abroad— often play a major role, sometimes more important than the stabilization programme itself.

The practical implication is that while SAPs should be made as "pro-poor" as possible, SAP measures cannot be more than a peripheral part of any solution to the problem of poverty in Africa. This point is reinforced by the conclusion of an ILO Working Group report setting out a framework of action against poverty (ILO, 1993: 53):

... if there is one clear conclusion that the analysis in the chapters above can offer it is that action against poverty has been greatly weakened by its fragmented and partial nature. How can wage policy be divorced from employment policy? What sense does it make to treat social security as if it had no relationship to macro-economic policy or the informalization of economic relationships? Each action against poverty faces diminishing returns on its own—but there are substantial complementarities and mutual reinforcements which are possible if an integrated approach is adopted...

The cause of poverty reduction is not best served by excessive concentration on improving the design of SAPs, and programme improvements are likely to be more effective when part of a comprehensive strategy.

Counterfactual possibilities

We should remind ourselves here of the relevance of the counterfactual. The issue we are still addressing is whether adjustment has resulted in more or less poverty *than would otherwise have occurred*. Although a few of the studies cited above have responded to the counterfactual problem by simulating the results of differing policy packages, few have attempted to construct the likely poverty outcomes of a systematically different policy scenario. Most that have done so have contented themselves with exploring the probable results of non-adjustment.

The most substantial and impressive attempt along these lines is that undertaken in the OECD study. SAM-based models were built for most of the economies covered by this project, permitting the results of alternative policy stances to be compared with the results of the adjustment measures actually chosen. When the option of not adjusting was run, the results were conclusive (Bourguignon and Morrisson, 1992:13, italics added):

If non-adjustment is defined as a government's refusal to modify its budgetary, monetary or exchange policies—a refusal that compels it, once the possibilities of borrowing abroad have been exhausted, to resort to rationing, beginning with imports—then *all* adjustment policies are, according to our simulations, more efficient (less fall in economic activity) and more equitable

(smaller increases in poverty) than not adjusting.

The authors go on to point out that delayed adjustment is considerably less equitable than prompt action because the greater severity and urgency of the resulting economic crisis dictates more draconian measures and reduces the scope for protecting the vulnerable. That the social costs of adjustment are a steeply rising function of delays in embarking on adjustment measures, or in implementing agreed measures, was one of the strongest results of the OECD study (Bourguignon and Morrisson, 1992: 13–14):

... the only way to avoid the costs of adjustment in crisis is to adjust before a crisis. As the disequilibria are less severe at that time, a smaller reduction in demand is necessary. Consequently, one avoids the sharp rises in unemployment, a swelling of the informal sector and large budget cuts. The greatest advantage of this policy is that it ensures a continuing flow of foreign capital before and during the adjustment period, instead of the complete cessation that occurs when adjustment is postponed until the crisis. This capital flow prevents a fall in private investment and public expenditure, which has socially unfavourable consequences.

Ghana provides an obvious illustration of the high costs of delaying the reversal of perverse economic policies.¹⁵ During most of the two decades prior to 1983 there were declines in production in all sectors of the economy. The food ratio relative to basic consumption requirements declined from 83% in 1964–1966 to 71% in 1978–1980 and to only 60% in 1982. Production of cocoa, the main cash crop, plummeted from well over 500,000 tons to only about 200,000 tons. Mineral production declined by 46 percentage points between 1975 and 1982, while the index of manufacturing output declined by 50% between 1975 and 1981 alone. The ratio of government revenue to current GDP fell from 16% in 1974/75 to 6% in 1982. Total recurrent and capital expenditure fell from over 27% of GDP in 1975 to 10% in 1983. The monetization of large budgetary deficits combined with declining production and import capacity generated rapid inflation.

Inevitably, this economic decline worsened poverty. Real per capita incomes fell steadily after 1970. By 1979, real average industrial earnings had fallen to only 30% of the 1970 figure and continued to fall until 1983. While the share of education and health in the budget remained fairly constant, it fell in absolute terms as the budget shrank relative to GDP, so that in 1975–1982 alone educational expenditures per capita declined by 70%. Health suffered, too, with growing morbidity and mortality. The infant mortality rate went up from around 80 per thousand in the mid 1970s to 110–120 by 1983/84. Nutritional standards declined, with food availability in 1982 at 30% below the level a decade earlier.

Côte d'Ivoire provides another illustration of the costs of non-adjustment—in this case, the costs of abandoning it. Using successive living standard surveys, Grootaert (1995) examined a period of adjustment (1983–1986) and of destabilization when the government largely abandoned its previous SAP (1987/88). He concludes that “during the adjustment phase, the overall incidence of poverty did not change and the incidence of extreme poverty was

¹⁵ The following is culled from Roe and Schneider (1992), UNICEF, Accra (1988), and Sowa (1993).

reduced. During the destabilization phase, poverty rose sharply, and in 1988 the incidence of poverty was 50 per cent higher than in 1985” (p. 398). A study of the consequences of the government of Malawi’s reluctance to implement agreed adjustment measures directed at the agricultural sector arrives at a similar conclusion about the welfare of the rural poor (Sahn and van Frausum, 1994).

When considering likely counterfactual outcomes, we should remember what is implicit above, that SAPs are usually adopted when governments judge that their previous policies have become unviable. Thus, on Zimbabwe, Davies and Rattsø—observers by no means overly-enamoured with the adjustment measures adopted—argue (1996: 397) that the government turned its attention to stabilization and adjustment because it saw that its previous welfare-based approaches to the reduction of income inequalities could not be sustained:

As the fiscal deficit became more problematic, the ability to sustain the redistributive policies through subsidies and social services became more questionable. It was thus the sustainability of the system which motivated the shift in policy.

Even so, it is arguable that the slowness of Zimbabwe’s government in acknowledging this unsustainability led to more severe measures than would otherwise have been necessary—and that its continuing reluctance to act decisively to bring the public sector deficit under better control is giving rise to more restrictive policies and economic conditions than would otherwise be necessary (Killick et al., forthcoming).

The implication of this, as Sahn (1996: 22) puts it, is that “concern for the welfare of the poor is a weak excuse for inaction and the perpetuation of failed policies”. In reality, however, it is probably fair to suggest that to varying degrees, most African governments have in the past approached adjustment with reluctance and have been less than thorough-going in programme execution. This contrasts with the East Asian situation, which was also covered by the OECD study. Malaysia and Indonesia were among their cases illustrating the benefits of early adjustment. The government of Indonesia, for example, responded promptly to the difficulties created for the country, as an oil exporter, by the collapse in world real petroleum prices in the mid 1980s, and did so in ways that permitted continuing reductions in poverty and under-nutrition, with the proportion of the population living below the poverty line falling from 1 in 3 in 1984 to 1 in 5 by 1987 (Thorbecke, 1992). The Malaysian government similarly acted promptly to emerging macroeconomic imbalances in the early 1980s and was able to adjust while maintaining an improving trend in absolute poverty (Demery and Demery, 1992).¹⁶

Further elaboration of counterfactual possibilities was undertaken in the OECD study, in simulations of alternative policy packages, that examined the sensitivity of poverty to alternative instruments. The main conclusions of these exercises included (Bourguignon and Morrisson, 1992: chap. V):

¹⁶ See also World Bank (1993b: chap. 1 and 4) for further evidence on how poverty reductions and economic efficiency were combined in various East Asian countries.

- Increases in indirect taxation and the laying-off of public sector workers always had highly negative poverty effects.
- Devaluations had favourable effects, except where cash crop farming was confined to large landowners.
- Where governments have to cut their budgets, the interests of the poor are better served by reducing recurrent rather than capital spending (except to the extent that this results in civil service retrenchments). Unfortunately, the opposite usually happens in reality.

The usually favourable outcome from devaluations is interesting and has obvious relevance to research on the situation in the Franc Zone countries before and after the 1994 devaluation: what was the poverty effect of that?

4. Protecting the poor In SAPs

We have now surveyed the evidence available on the effects of SAPs on poverty as mediated through their effects on overall economic growth and through changes in the distribution of income; we have also examined the extent to which SAP measures affect the main causes of poverty in Africa and have reported the results of counterfactual exercises. It remains now to take up the related but separable issue of the extent to which SAPs have included provisions for the protection of the poor.

There are two chief aspects to look at here: (a) the ways in which the detailed composition of government spending has been changed by the introduction of SAPs, particularly with respect to social spending, and (b) the inclusion and effectiveness of "safety-net" and comparable provisions designed to alleviate the possible poverty-creating effects of the programmes.

SAPs and the content of government spending

There are a number of issues under this heading: What happens to the broad composition of government spending in times of budgetary stringency? What, in particular, happens to the level and share of spending on social and on other services likely to be of particular importance to the poor— are these protected? What happens to the detailed composition of these services and to the resulting incidence of benefits? To what extent do the patterns in adjusting countries differ from those in non-adjusters?

Starting with overall trends, an important basic factor here is a long-term, continent-wide tendency for interest payments on public debt (domestic and external) to claim a rising share of total exchequer resources. Data for 15 African countries show the share of interest payments in total government spending to have risen from an average of 8% in 1981–1990 (doubtless starting that period much lower) to an average of 11% in 1991–1995. Expressed relative to *social* spending, the proportion (for a smaller sample of nine countries) rose from

34% to 47% (World Bank, 1997: Tables A2 and A3).

So even where total state spending is not being reduced, it is much more likely that *non-interest* spending will be under pressure. What, in these circumstances, are governments' revealed priorities? Are the pro-poor items ring-fenced? The general finding is that spending on social services is relatively (but not absolutely) protected in this situation. This matter was investigated by Hicks (1991), who confirmed that interest claims had a crowding-out effect. On average, about half of these claims were met through tax (or other revenue) increases and the remainder through cuts in other expenditure items.

For a sample of developing countries that have undergone periods of expenditure reduction Hicks estimates the elasticity of various expenditure categories relative to the reduction in total government spending, with the following results:

General public	0.53
Defense	0.38
Social sectors	0.66
Productive services	1.08
Infrastructure	1.47

Note first the particularly large elasticity for infrastructural expenditures. This is in line with findings of other observers that when they have to cut, governments prefer to protect the current budget to the sacrifice of capital formation, although the most recent study by the IMF (1997a: 21) comparing pre- and post-ESAF situations finds that the share of capital items in total government spending was maintained, even marginally increased. Another very widely observed outcome is that governments try hard to avoid absolute cuts in the government payroll or salaries. This is reflected by the low elasticity for the "general public" item. The lowest elasticity of all is for defense spending, suggesting that the military are shielded from the effects of budgetary stringency (although not all evidence points that way). However, here too the 1997 IMF study obtains contrary results (p. 14), with both "general public" services and military spending being the most heavily cut categories. It may be that the pattern is changing over time, perhaps in response to the urgings of the IFIs and others. Most significantly for our purposes, however, *social spending is relatively protected*, with Hicks calculating an elasticity of 0.66. A more recent World Bank (1995a: Table 4.2) estimate of the elasticity of social spending with respect to discretionary (i.e., non-interest) spending confirms the relative protection of health and education when budgets have to be cut overall, with elasticities of 0.6 and 0.7, respectively.

The relative protection of social services is further illustrated by calculations for the nine African countries for which data are available (most of which, except Botswana, could be classified as "adjusting"), which show that between 1981–1990 and 1991–1995, the share of social expenditures actually rose, on average, relative to both total and non-interest expenditures.¹⁷ Of course, elasticities of under 1.0 do not mean that absolute reductions do

¹⁷ The mean values for the share of social spending were:

	1981-90	1991-95
as % non-interest spending	26.8	30.9

not occur; the protection is only relative. Social service provisions are probably best expressed in per capita terms. When that adjustment is made, the fall in service provision can be large. Basu and Stewart (1995: Table 6.12) estimate a mean per capita decline in social spending in 1981–1990 at 10% for a sample of 17 African countries.

Moreover, it seems certain that expenditure data understate the decline in service provision to the poor because it is aggravated by a deteriorating *quality* of service. This largely arises from the reluctance of governments to attempt payroll and/or salary cuts. In consequence, they are forced to cut back on operations and maintenance items—current supplies, transport, routine maintenance—that largely determine civil servants’ abilities to operate efficiently. Payroll costs of 80% to 90% of total spending are not uncommon, which inevitably means a low quality of service provision, and the World Bank (1994: 173) reports an overall average of 70%.

Furthermore, we should not confuse the supply of services with ability to use them. Evidence shows primary school enrolment rates to have been falling in adjusting African countries (World Bank, 1995a: Table 4.8), contributed to by the introduction of overt or covert school fees. Although equivalent data are not available, anecdotal evidence suggests the same may be happening in the use of state health services. The World Bank is among those who now acknowledge that imposition of across-the-board user charges for socially sensitive items are incompatible with protecting the poor. Grootaert (1995) has shown how during adjustment there were particularly severe falls in primary school enrolments of girls coming from poor households and how the use by poor women of the health services almost halved.

It is harder to report firm conclusions about the specific effects of SAPs, but the evidence is again relatively reassuring with respect to social spending. Harris and Kusi’s (1992) study of the effects of IMF programmes show these to be associated with relative declines in subsidy expenditures (and in military spending) but finds no obvious programme impact on a functional classification of expenditures, by comparison with a control group of non-programme countries, with the shares of health and education apparently unaffected. Pradhan and Swaroop (1993) also find that social spending follows similar trends in programme and non-programme countries, in a study that includes the effects of World Bank as well as IMF programmes. Stewart (1991), gets more adverse results for Bank SAPs, but for an earlier period, and her later work with Basu (1995: Table 6.12) shows per capita reductions in "intensively adjusting" countries to be slightly less than the overall average, although well above non-adjusting countries, where per capita expenditures rose.

The IMF’s (1997b: 14) comparisons of pre- and post-ESAF programme outcomes found that the main categories of social spending (education and health) rose, both as a proportion of total state spending and (slightly) relative to GDP. However, both the Fund and Bank studies found the situation to be less favourable in African countries, as did Cornia and Stewart (1990: Table 6) in earlier work. In the case of education, all six of the countries in the IMF sample with declining real per capita spending on education were African, whereas only 6

as % total spending	24.6	27.0
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(Calculated from World Bank, 1997, Tables A2 and A3.)

out of the 17 governments with improved educational provisions were African. The relative outcomes for health were somewhat less strong but the same differential tendency was present (IMF, 1997b: Fig.1). Finally, the World Bank (1995a: Table 4.5) found a strong correlation between trends in per capita social spending and the extent of SAP implementation—it may be that the worst outcomes are in countries that embark on a SAP but only half-heartedly.

So far we have been tacitly assuming that social spending is progressive, poverty-reducing. Is this justified? The answer from recent evidence is ambiguous. The World Bank (1994: 173) has pointed out various inegalitarian features of education and health budgets in Africa, including a strong bias in education towards higher education (whereas it is primary education that is of special value to the poor) and towards hospitals in health budgets as against primary health care in the rural areas. A recent unpublished paper by Demery (1997) examines the incidence of social services across income classes in five African countries, with the near-universal result that the richest quintile was over-represented among users, while the poorest quintile was under-represented. Demery and Squire (1996: Table 6) report the same phenomenon for Côte d'Ivoire and Ghana. The IMF (1997a: 17) study reconfirms the tendency, reporting shifts in intrasectoral allocations in favour of items (such as higher education and curative medicine) whose benefits are enjoyed disproportionately by the not-so-poor. The same tendency is usually true for estimates of the incidence of food subsidies (see, e.g., Bourguignon and Morrisson, 1992: 42): it is the better-off who mainly benefit.

It appears, then, that social services are not well targeted at the poor. But this does not mean that the poor do not benefit or that social spending is not progressive. Demery (1997) shows that they remain progressive, in the sense that the value of these services is quantitatively more important to the poor, relative to their incomes, than it is to the better-off. Consistent with this, the World Bank (1995a: 7 and chap. 4) found that social outcomes were more favourable in cases where governments had preserved budgetary allocations for priority social spending.

To sum up, it appears that social expenditures do generally receive a degree of protection from the effects of fiscal stringency, although the situation may be less favourable in Africa. There have certainly been substantial reductions in per capita social spending levels, in the quality of services provided and in poor people's ability to make use of them. Moreover, the social services are generally not well targeted on the poor. It is not at all clear, however, that these adverse outcomes are linked to the adoption of SAPs: there are other forces making for budgetary stringency and these act on the non-adjusters too. What the evidence does do is to reinforce the World Bank observation, quoted earlier in the paper, that SAPs have not been able to improve the quality of government spending in many cases.

Safety nets and social funds

Social concerns began to impinge substantially on the evolution of thinking about the design of adjustment towards the end of the 1980s. A variety of safety net instruments have been increasingly used since then: targeted subsidies and transfers of various kinds; employment creation and retraining schemes; special infrastructural development schemes in poor areas.¹⁸ By common consent, however, they have made little impression. Stewart and van der Geest (1995:133–34) conclude a detailed examination thus:

... the "new" SF [social fund] programmes have in general reached only a small fraction of the poor, partly because their total size is limited and partly because of poor targeting... They seem often to constitute political panacea during unpopular adjustment programmes. Their main strength appears to have been their ability to create useful economic and social infrastructure, on a small scale, relatively rapidly.

As to size, for the five African countries for which they have data Stewart and van der Geest (1995: Table 5.7) show that the maximum possible average expenditure per poor person varied between \$3.5 a year and below \$1. Targeting was weak in the sense that a large proportion of the benefits was enjoyed by the not-so-poor but particularly in the sense that the programmes reached only a small proportion of the total number of poor.

The World Bank OED study, while reporting a number of favourable examples in non-African countries, concurs in finding that the African examples examined were not successful (1995a: 130–31), partly due to weak implementation. Another source of weakness is that safety net provisions tend to be add-ons, sometimes afterthoughts, not built into the broader provisions of the SAPs. Botchwey et al. (1998: 5) urge that safety net provisions need to be built into (IMF) programmes, but conclude that “To date this has not been done”. This writer knows of no SAP in Africa that has been consciously and systematically designed around the principle of reconciling the interests of the poor with the necessity for structural change.¹⁹ There is often a great tension within the objectives of safety net programmes, as the Stewart and van der Geest quotation suggests: between assisting those in poverty and compensating politically powerful groups who stand to lose from adjustment. Granted the desirability of winning political support for a SAP, use of such compensation devices is legitimate and desirable—but that is different from helping the chronically poor.

¹⁸ See World Bank, 1995a, Box 5.2, for a useful summarization, and Stewart and van der Geest, 1995, for a description and analysis relating (mainly) to Africa.

¹⁹ Characteristically, the IMF's (1997b) latest published evaluation of experiences with ESAF is virtually silent on social effects.

Reasons for the continuing weaknesses

Why do such glaring weaknesses remain in SAP design after such a long period of experimentation? Part of the problem lies with the IFIs, who retain such a strong influence over the design of SAPs in Africa. As mentioned earlier, there have been changes in their attitudes and policies over the years. The World Bank, in particular, has sought to respond, as illustrated by the report that the percentage of adjustment loans including social sector conditionality increased from under 5% of all SAPs in 1984–1986 to almost 30% in 1990–1992²⁰ (World Bank, 1993a: 20; see also Addison, 1993).

Two events illustrate the changed attitudes of the IMF. First was the agreement in connection with the expansion of the ESAF facility that programmes should pay greater attention to social safety nets, including contingency provisions.²¹ The second was the Fund's announcement, in connection with the 1994 devaluation of the CFA franc, that it would approve budgetary subsidies on some basic foods (or even petrol) as a way of protecting the poor from the price-raising effects of the devaluation.²² There nevertheless remains room for doubt about the extent to which the changes in message from the top of these agencies has affected actual operations in the field. Stewart (1991, 1992), for one, remains sceptical about the extent to which sympathetic statements of general intent have influenced detailed programme design. And in an examination of trends in DAF policies, the present writer (Killick, 1995: 34) concludes that:

... while there are specific instances where safety nets have been erected... it can fairly confidently be asserted that, taking an overall view, rather little has actually been achieved thus far. Indeed, in an interview Managing Director Camdessus expressed dissatisfaction with the operational impact of the apparent policy shift.

The policies, and budgetary constraints, of donor governments have been another contributory factor. The possibilities for protecting the welfare of the poor are particularly sensitive to the volume of supporting financial inflows because the availability of these has a determining influence on the speed with which adjustment must be attempted and hence the severity of the measures undertaken, as well as on the government's ability to finance specific safety-net provisions.

²⁰ According to Chhibber et al., 1991, however, the proportion of social policy provisions in total conditionalities had only increased from under 3% to about 6% of all conditionalities in the post 1987 period. Although not directly contradictory, this figure is difficult to reconcile with the Bank figure just quoted.

²¹ Reported in IMF *Survey*, 10 January 1994, p. 4.

²² As reported in *Financial Times*, London, 13 January 1994, p. 4.

A positive illustration of this is provided by the experience of Ghana, where a quite exceptional volume of supporting finance provided since 1983 by the IFIs and bilateral donors allowed many of that country's poor to benefit substantially from the process, despite the desperate initial economic crisis (Roe and Schneider, 1992). In particular, it allowed adjustment policies predicated on *increases* in import volumes and in government spending on social services.

However, the apparent reluctance of many governments to place poverty reduction high among their priorities is arguably the most fundamental source of difficulty. The policies in place when a SAP is adopted are not accidental, nor are they the outcome of purely technocratic considerations; they also reflect the distribution of political power and influence. This provides an explanation, for example, for the common biases in educational and health budgets in favour of services of particular value to the middle class. Similarly, policies of control and regulation, and forms of intervention that permit discretionary action, give ministers and officials opportunities for patronage and scarcity rents, including the extortion of bribes. In this way, even the most perverse policies bring wealth to some, and beneficiaries can be expected to resist attacks on their privileges. Similarly, policy biases towards urban dwellers and the middle class—and the difficulty, therefore, of shifting relative prices in favour of agriculture—reflect the greater power, and potential for creating trouble, of those living in the towns.

Policies based on the existing distribution of power therefore often have large inertial force. They cannot easily be changed because those who benefit are too often influential enough to block reform. Among those potential beneficiaries are the employees of the state—the very ones who must execute policy reforms. Unless treated with care, they can be a potent obstacle to change. Political opposition can break adjustment programmes, as it did in Zambia, where the removal of food subsidies led to riots.

In brief, adjustment is as much a problem of political management as it is of economic design, requiring all the skills and resourcefulness of a country's political leadership. A coalition for reform has to be assembled and nurtured. Precisely how policies are reformed, and the speed and sequencing of the changes, may involve delicate political calculations. Compromises must frequently be struck. There is, as Bourguignon and Morrisson (1992: 87) point out, a considerable risk that in this process the interests of the poor will take second place, even if the government is sympathetic. There is a frequent tension between the distribution of political power and a desire to protect the poor, who are usually unorganized, rarely powerful. It is the relatively well-to-do who command political clout and it is their opposition that the government will need to buy off or manage in some other way. The politics of compensating those who lose from adjustment rarely favours the poor, which increases the risks to them.

By no means all governments are sympathetic anyway. Addison (1993: 1), for example, is surely right in his diplomatic suggestion that "Many African countries present a difficult political environment for any donor agency that is intent on reducing poverty", although the problem is by no means confined to Africa. He goes on (p. 2):

... many of the policies that benefit the poor work against the interests of higher-income groups who are politically influential ("vocal") in their demands. These are often the very people who constitute the political power base of the region's governments. Thus governments often direct public expenditures to the benefit of high-income groups, both as government employees and as users of services, rather than to services that are important to poor people such as preventative health care and primary education. Paying farmers a low share of the world price of their commodities taxes the rural poor but creates public revenues with which to buy political support among the vocal. Import controls, by limiting competition, create profits for favoured manufacturers and economic rents for those who trade in scarce goods but tax the rest of society, especially those on low incomes who have the least access to scarce goods.

As a result, many governments are reluctant to define a poverty agenda... in order to avoid sacrificing political patronage. Instead they use rhetoric such as "everyone is poor" to avoid making a political commitment to poverty reduction that would be unpopular with those who keep them in power.

We have already cited Malawi as a country in which the former government for many years showed little concern with the interests of the 55% of the total population estimated to be living in absolute poverty, with low priority given to educational and health services, and with policies and institutions systematically discriminating against poor smallholders in favour of the owners of large estates.²³

²³ See Chipeta (1993), Lele (1990) and Sahn (1991) for documentation of this case.

5. Summary and conclusion

Summary

This paper has been concerned with (a) reviewing the methodological issues and problems in the area of assessing the poverty effects of SAPs and (b) surveying the results of research that has already been undertaken, with special reference to African countries. Two research questions were differentiated:

- Did adoption of a SAP cause an increase or decrease in poverty greater than would otherwise have occurred?
- Was the SAP designed so as to minimize the harm it might do to poverty groups, or maximize the benefits it might bring them?

Particularly for the first of these questions, the methodological issue of the counterfactual is of great importance: What would have happened to poverty in the absence of the SAP under study? This is important because of the large potential influence of the initial condition of the economy, of exogenous shocks and of the frequent unviability of pre-SAP policies. Researchers also need to cope with other complications, not least the degree of SAP implementation.

When examining specifically for the poverty and distributional consequences of SAPs further problems arise. There is no strong body of theory to draw upon, the absence of reliable data is a huge difficulty, and there is no consensus on the "best" definition of poverty as between alternatives that differ in both their technical attributes and their value content. The "poor" are not, in fact, a class of people but an aggregation of groups who have in common that they have very low incomes or other attributes of poverty but who differ in terms of location (with the urban-rural difference of particular importance), sources of income, degree of integration into the wider economy and so on. We have also drawn attention to distinctions between "the poor" and "the poorest", and "the poor" and the "new poor".

Table 1 was introduced to illustrate some of the complexities involved in showing the different effects of various adjustment measures on diverse poverty groups. It also shows how it is rather rare for measures to have unambiguous consequences for poverty, although the selected fiscal measures were exceptions to this.

Studies focusing on the first of the two questions identified above necessitate an attempt to get to grips with the counterfactual. "Before-after", model-based and "cause-effect" approaches were sketched, each with strengths and weaknesses. Approaches to the second question are likely to be more microeconomic and to focus on the incidence across economic groups of specific government provisions that are changed as a result of a SAP.

The most important fact about the available evidence is its paucity and often its unreliability. No authoritative statements can be made about the poverty and distributional effects of SAPs in Africa but some pointers can be given, based also on evidence from outside the continent.

Decomposition analysis has established the general result that growth effects usually dominate the effects of changes in the distribution of income but the evidence on Africa is weak and the ability of per capita income growth to explain changes in income poverty is limited. Moreover, there is evidence that the power of growth to reduce poverty is inversely correlated with the initial degree of income inequality and there are tentative pointers to particularly large inequalities in Africa.

Granting, nonetheless, that growth is essential if there is to be satisfactory reduction of poverty, do SAPs influence poverty by accelerating growth? They attempt to do so by means of policy improvements, on the well-documented basis that the quality of a country's policy environment will have a major influence on its growth. Moreover, there is evidence that policy reforms have led to faster growth in some African countries. However, primarily because of weak programme implementation, it seems that IFI-sponsored SAPs have had no decisive influence on the quality of policies in African countries, nor any systematic growth-raising effects. Programme ownership, it seems, is the crucial factor.

As regards distributional effects, pieces of evidence suggest there may be a tendency for inequalities to be worsening in Africa. If this is the case, SAPs have either been associated with, or have been unable to prevent, growing inequalities. What is not in doubt, of course, is that SAPs can have powerful distributional consequences, affecting various groupings differentially, and this makes it harder to generalize about overall effects. By common consent, SAPs particularly place the urban poor at risk, while the position of the rural poor is much harder to generalize about. There is, as yet, little worthwhile evidence on the impact on the poorest or on women, although there are plausible grounds for fearing that the latter may be particularly hard-hit.

While cross-country studies generally find much variation between countries, they agree in finding specific cases where programme measures had poverty-worsening effects. Kakwani et al. (1990), while concluding that there were no discernible differences in trends in poverty between adjusting and non-adjusting countries, added that there was little evidence that SAPs accelerate social progress either. Maasland and van der Gaag (1992) reach the same conclusion. Stewart's (1991) review of the evidence similarly acknowledges mixed performance, but suggests that a majority of adjusting countries experienced worsening conditions in the towns, less so in rural areas. Cornia's 1991 study of adjustment experiences in Africa suggests that of the 24 countries he studied only Mauritius appeared to have simultaneously achieved the objectives of stabilization, structural adjustment, growth and protection of vulnerable groups. He categorized 16 of the 24 as having failed to protect the vulnerable.

We tried to obtain further evidence by interrogating the typical content of adjustment packages by a sketch of the chief causes of poverty in Africa. No strong conclusions emerged from this, however. In the case of farmers, empirical research points to the type of conclusion that might have been predicted from Table 1: substantial differences between countries and specific groups, with no generalizable gain or loss to the rural poor of Africa taken as a whole. And for formal sector employment, although SAPs commonly do result in significant job losses and declining real wages within the public sector and sometimes among private

sector workers too, resulting in a class of "new poor", research has tended to shy away from the probability that job losses were likely anyway because of the severity of the fiscal and economic crisis. Moreover, results are time-sensitive, with SAPs intended to generate an accelerated growth of employment opportunities after the initial measures.

The truth is that SAPs are not primarily addressed to most of the causes of poverty in Africa. They are not directed at the demographic factors contributing to the poverty problem, nor the civil and political strife that aggravates it. SAPs can do little for the empowerment of the poor, nor can they be expected to impinge much on the vicious circle of poverty and environmental degradation. They are not addressed to the initial inequalities of income and wealth that make the poverty problem more intractable (and there is no clear evidence of any connection between SAPs and trends in inequality). SAPs *are* addressed to some of the sources of low productivities and incomes that underlie the poverty problem and to correcting the past capital-intensity of growth by raising the cost of capital relative to labour, but the responses of African economies to the measures intended to improve these variables has been generally disappointing

The conclusion invites itself here that while SAPs should be made as "poverty-friendly" as possible and the adoption of a SAP is not incompatible with the welfare of the poor, SAP measures cannot be more than a peripheral part of any solution to the problem of poverty in Africa and should best be set in the context of a wider poverty reduction strategy that goes well beyond the parameters of a SAP.

The main attempts to address the problem of the counterfactual are largely taken up with the alternative of inaction, of no adjustment. Perhaps unsurprisingly, the results of these exercises are clear: in the words of the main contribution to this literature, " *all* adjustment policies are, according to our simulations, more efficient (less fall in economic activity) and more equitable (smaller increases in poverty) than not adjusting" (Bourguignon and Morrisson, 1992: 51). The past reluctance of a good many African governments to undertake vigorous adjustment measures, and their often very selective execution of agreed programmes, thus emerge as damaging to the interests of the poor.

Turning to the second question—whether SAPs have been designed to protect the poor—it appears that social expenditures have generally received a degree of protection from the effects of fiscal stringency but the situation is less favourable in Africa than in other developing regions. There have been substantial reductions in per capita social spending levels, the quality of services provided and in poor people's ability to make use of the services. Moreover, the social services are generally not well targeted on the poor. There is little evidence linking these adverse outcomes to the adoption of SAPs, however. Other forces make for budgetary stringency and these act on non-adjusters too. SAPs have increasingly incorporated safety net provisions of various kinds but these too appear to have been poorly targeted, too small and to have reached only a small fraction of the poor.

The weak association of SAPs with policy improvement, particularly in the fiscal area, helps explain these continuing weaknesses. Underlying these, often, is low government commitment to safeguarding the interests of the poor. These sources of weakness have been compounded by the slowness of the IFIs to respond to the social problems generated by SAPs

and by the attitudes of some aid donor governments.

Conclusion

Clearly, we remain in great ignorance in this area and there is enormous scope for fruitful country-based research. Given all the complexities, however, it is unlikely that new work will result in any simple consensus about SAP effects on poverty and inequality. What is clear is that there has in the past been considerable overstatement of such effects, because of a mistaken impression of the potency of SAPs to effect changes and a tendency to overlook both the extent of non-implementation and the realities of the counterfactual, the absence of low-cost alternatives.

Not the least of the dangers of this situation—quite apart from distorting our view of the desirability of adjustment and of the IFIs—is that it may give a misleading impression of how much SAPs can contribute to a solution of poverty, diverting attention from the desirability of a far wider range of actions. One aspect of this attention bias is that it may cause too much weight to be given to economic growth as an answer to poverty. The temptation may be to think that if only SAPs can be induced to bring more growth, then much of the poverty problem will gradually disappear. Reasons were given earlier, however, for rejecting that idea, not least the adverse distributional forces that may also be at work and the apparently rather low elasticity of poverty in Africa with respect to growth.

Lastly, potential researchers should be both chastened and encouraged. They should be encouraged by the huge scope that this survey has revealed for solid research. In most African countries, this is almost virgin territory and in only a few need researchers be constrained by work that has already been done as they design new projects. That this should be so is no accident, however. Aspirants should be chastened by the magnitude of the data and methodology pitfalls in their way. They might, in particular, ponder the following do's and don'ts:

- Acknowledge the data problem from the beginning of the design of the research, either by accepting the constraint of such secondary sources as are available or, preferably and when appropriate, by collecting primary data. The present state of the database is such that *work based on secondary sources is unlikely to be satisfactory*, although that situation is gradually improving and there should be scope in some countries to use databases now beginning to come on stream.
- Start with a clear view of the concept of poverty to be used and of which groups to study. It may be wise not to try to cover the generality of "the poor" in favour of one or two sub-groups.
- Try not to confine the study to an income-based concept of poverty; bringing in a wider range of indicators is likely to enrich the work and its policy implications.
- Take care over the development of testable hypotheses and, in the absence of a strong relevant body of theory, anchor them as firmly as possible to the wider existing literature. There is a greater-than-usual danger of ad hockery here.

- When examining for SAP effects, control for the extent of programme implementation, in order to guard against attributing to SAPs consequences that were actually the result of inaction.
- As indicated at various points, come to grips with the problem of the counterfactual; this will be an essential element of many research topics.

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