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World Bank Development Policies and Poverty Alleviation in Africa

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Abstract

This paper looks at how World Bank policies affect the outcomes of efforts at alleviating widespread poverty in Africa. It questions the repercussion of these policies on the stability of African economies by analyzing the survey of the literature. From the evidence gathered from Africa and specific countries on the continent, the paper shows that the World Bank-supported adjustment reforms exacerbate rather than reduce poverty as they deal with growth-related problems at the expense of human-centred or development associated measures; thus reinforcing the concerns that the reforms are an ineffective poverty alleviation instrument. Nevertheless, structural reforms could help push African economies forward on condition that poverty reduction and not accounting records is their point of reference. That way, human development, which is the key to unlock Africa's potential, would take its deserved place on the continent's agenda.

Résumé

Cette contribution examine l'impact des politiques de la banque mondiale sur les efforts de réduction de la pauvreté croissante en Afrique. Elle questionne les répercussions de ces politiques sur la stabilité des économies africaines en analysant la littérature existante. Des données collectées en Afrique et sur des pays du continent, la contribution démontre que les réformes préconisées par la Banque Mondiale accentuent au lieu de réduire la pauvreté, s'adressant plutôt à questions de croissance au détriment de mesures humaines ou axées sur le développement, et de ce fait renforcent les préoccupations d'inefficacité des réformes comme outil de réduction de la pauvreté. Néanmoins, les réformes structurelles pourraient bien propulser les économies africaines, à condition que la réduction de la pauvreté soit leur point de référence, plutôt que les docu-

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ments comptables. Ainsi, le développement humain, qui est le clé du déblocage du potentiel africain, occuperait toute la place qu'elle mérite au sein de l'agenda du continent.

Introduction

In contemporary Africa, poverty is widespread and much effort has been devoted to its alleviation. The success of this endeavour depends on the speed of economic and social development on the continent. Unfortunately, development has not really permeated Africa, a situation that is compounded by global economic arrangements that have become more competitive and sophisticated than African economies can cope with (Ramakrishna 2001). For instance, in 2001 Africa produced the same types of commodities and exported them to the same markets as it did in the 1970s and 1980s (Onimode 2003). Thus, whereas Africa accounts for 12 per cent of the world's population, it boasts only one per cent of global gross domestic product (GDP) and 1.5 per cent of world trade (World Bank 2003a).

This unenviable record has to do with the monoculture structure of African economies in contrast with the diversifications that occur in world production and trade. At the same time, developed nations no longer need much of the primary commodities like rubber and cotton, which Africa produces because of the discovery of various synthetic materials that have taken their place in the production process. Consequently, the importance of Africa in their raw material calculations has lessened and by implication export revenues have also dwindled, thereby creating obstacles on the path of growth and development.

Inaccessibility to social services, inequitable distribution of wealth, corruption, bad governance, civil strife, growing indebtedness, marginalisation in world trade and finance, and the accompanying socio-economic malaise which African countries are experiencing, are pointers to the root causes of Africa's poverty. Because conventional development models¹ appear suspect insofar as they have failed the African poor for whom development has become a mirage, it is imperative for Africans to rely more on their own initiatives for the economic recovery and hence poverty alleviation in the continent.

No doubt, the campaign against poverty has taken centre stage in Africa's development efforts. The huge resources that African governments commit to poverty alleviation programmes notwithstanding, donor agencies have also shown profound interest in the same cause. Yet, poverty in Africa persists. The persistence of poverty on the continent, therefore, elicits concerns over the policies being pursued in its alleviation. Specifically, the World Bank-supported² adjustment reforms have sparked considerable debate about

their effectiveness as a poverty alleviation instrument in Africa. The aim of this paper is to contribute to that debate.

The remainder of the paper adopts the following lay-out. First, conceptual issues on development and poverty in Africa are highlighted followed by the examination of the effectiveness of World Bank policies, particularly adjustment reforms on poverty alleviation on the continent. Lastly, the analyses are drawn together and conclusions summarised in section 4.

Conceptual issues regarding development and poverty in Africa

The controversy³ surrounding the concept of development remains unresolved although its meaning in terms of improvement in the material and social aspects of life appears unexceptionable (United Nations 2000). Be that as it may, development entails increases in real per capita incomes of a country over a long period of time coupled with equitable distribution of the same in order to achieve improvement in the standard of living of the population (Meier 1989; Iwayemi 1993). This view is collaborated by Todaro (1992) and Stiglitz (2001) who assert that development involves the acceleration of economic growth and changes in structures, attitudes and institutions with a view to achieving the reduction of inequality and poverty.

Thus, development is modernisation with a human approach as the emphasis is on distributive justice as basic needs are satisfied through the income generated and the fruits of development shared equitably among the different segments of society. This humanitarian approach to development problems has compelled Harrison (1993) to regard development as a continuous and positively evaluated process of social and economic change that involves the totality of human experience. But development also needs to be sustainable, which leads Ake (1990) to argue that since people sustain development, it must be an integral part of their lives. This presupposes that sustainable development only occurs when the processes and the innovation are relevant to the aspirations of a people and are also assimilated and improved upon by them according to their desires.

In societies where development is absent, poverty is inevitable. This is revealed in the association between low levels of development and high incidence of poverty (for details, see Ajakaiye and Olomola 1999). This is without prejudice to the measurement of poverty, which is based on either income or expenditure parameters (United Nations 1997). Little wonder that Obadan (1996) refers to the poor as those people whose measured standard of living in terms of income is below the poverty line. Klugman and Braithwaite (1998) equally believe that poverty is the inability to maintain a minimum level of existence because an individual's income cannot purchase the basic

needs of life. On the other hand, Demery (1993) and Ajakaiye and Adeyeye (2001) stress the expenditure-based measurement of poverty as that shows whether all outlays made by a household, consumption of own production and the imputed values of services derived from the ownership of consumer durables and housing, are enough to put it above the poverty line. Therefore, although poverty manifests itself in conditions of low development, it is measurable by an income or expenditure level below which an accepted standard of living cannot be guaranteed.

As it is presented here, poverty is related to the inability to sustain oneself materially. But current thinking increasingly recognises poverty as multidimensional, involving, for instance, the lack of access to education, to health care and infrastructural facilities, the denial of opportunities and choices to take independent decisions, to command the respect of others and even remoteness to political power. Of course, deprivation in any one area reinforces, and is in turn, reinforced by deprivation in others. For example, because the poor lack access to good shelter and health care delivery systems, they are often ill. Because of illness, they produce less and consequently earn less, which denies them access to the basic needs of life (United Nations 1999a). This vicious circle of poverty, which encompasses illiteracy, insufficient feeding and inability to meet social and economic obligations, among other deficiencies, is well documented in Fishlow (1995) and Dipholo (2002). Therefore, poverty is not only materially inspired, but also entails inadequacies in other aspects of life.

In no other continent is poverty as severe as in Africa. There, the growth indicators are either weak or negative. For example, as world output grew from 1.4 per cent in 1993 to 4 per cent in 2000, Africa recorded a growth rate of 2.7 per cent in 2000 as against 0.7 per cent in 1993 (United Nations, 2002; UNCTAD 2002a). While global GDP per capita rose from 4,382 million dollars in 1980 to 5,218 million dollars in 2002, Africa's share declined from 577 million dollars to 503 million dollars over the same period (UNCTAD 2003).

The median annual growth rate of real GDP per capita in Africa also fell from about 2 per cent in the 1970s to -0.3 per cent in the 1980s and to -1.3 per cent in the 1990s. Gross domestic investments (as a fraction of GDP) equally declined from 21 per cent in the 1970s to 17 per cent in the 1990s (Elbadawi and Mwega 2000). Africa has also failed to achieve improvement in external trade relations as its share of world exports declined from 4.62 per cent in 1980 to 1.86 per cent in 2001 (UNCTAD 2002b). These declines naturally contribute to the falling standards of living across the continent.

Furthermore, the share of people in Africa living on less than one dollar a day was 47.6 per cent in 1990. Although that figure fell to 45.7 per cent in

2002, the number of African poor actually increased from 242 million in 1990 to 350 million in 2002 because of population growth (African Development Bank 2000; World Bank 2003a). In other developing regions, the proportion of poor people in the entire population has been falling. For instance, in East Asia and Pacific, that proportion fell from 27.6 per cent to 14.7 per cent between 1990 and 2002. In Latin America and the Caribbean and South Asia, it also fell from 16.8 per cent to 12.1 per cent and from 44 per cent to 40 per cent respectively during the same period (World Bank 2003a). These data not only place Africa as the continent with the largest share of poor people in the world, but there is also a strong perception that poverty is becoming an African instead of a global problem.

But Africa has not folded its hands in despair. During the 1960s through to the early 1980s, efforts were made to industrialise the continent through the import substitution industrialisation strategy. Agricultural production and rural development also received a boost. The strong support, which the public sector attracted at that time, was consistent with the prevailing paradigm about the state being the advance guard of development. Unfortunately, these efforts yielded little success due to poor macroeconomic and sectoral policies. Indeed, over-valued exchange rates, large budget deficits, inward-oriented trade practices, nationalisation of enterprises and their conversion into state monopolies stifled competition vital for increasing productivity (World Bank 1994). In addition, inadequate human capital, civil strife, bloated bureaucracy, corruption and armed conflicts not only diverted scarce resources to unproductive ends, but also constituted obstacles to economic and political stability needed for growth.

Decades of colonialism and imperialism, worsening terms of trade, external indebtedness and marginalisation equally weigh against Africa's development. Globalisation reinforces Africa's peripheral role in the world economy as it ensures that the enrichment of the West is predicated on the impoverishment of the continent. These impediments sustain Africa's underdevelopment as they frustrate social, economic and political transformation, thereby solidifying the foundation that regenerates poverty among its peoples.

The interplay of these forces has meant that for the African, development is illusory. This is best illustrated by the Human Development Index⁴ (HDI), which has relatively low values on the continent. In 2002, only South Africa, Botswana, Gabon, Zimbabwe, Cameroon, Kenya and Republic of Congo had an HDI of between 0.50 and 0.70. Other Sub-Saharan African countries had lower than 0.50, whereas most countries in Asia and Latin America posted values of between 0.51 and 0.80. In Europe and North America HDI values were much higher. In concrete terms, life expectancy presently in Africa is only 48.8 years as against more than 65 years in other regions.

Adult literacy is below 60 per cent when compared with over 80 per cent in East Asia and the Pacific and Latin America and the Caribbean and almost 80 per cent in Europe (UNDP 2003).

The prospects for African development, therefore, appear gloomy. Nevertheless, since development gives access to the instruments used in reducing poverty, Africans have given considerable attention to internal development measures. The support of development partners like the European Union and the World Bank among others has also been sought. The responsibility for the appalling results so far achieved must be shared by the enormity of the problems involved, the policy responses to development issues, and the global setting under which Africa is operating. The continent, however, remains a part of the world, as such its poverty is a threat to prosperity anywhere else. That is why more concerted efforts are required in the context of Africa's development in order to unleash the docile wealth of the continent for more effective poverty alleviation outcomes.

The effectiveness of World Bank development policies on poverty alleviation in Africa

The main mission of the World Bank is to help improve the living standards of people in client countries. In order to achieve this objective in Africa, the World Bank enters into development cooperation with countries on the continent. A fundamental feature of development cooperation is that it goes with a development policy. This policy influences the commitment by a donor to invest funds in financial and technical cooperation in a recipient country in order to contribute to efforts aimed at poverty alleviation (Gabas 1993).

The World Bank development policies in Africa are anchored on three pillars. First, they seek the transfer of financial resources and technical expertise to African countries in order to increase their productivity. Second, they favour rural and infrastructural development and third, they support the reforms of African institutions. But then, a pertinent question arises. This concerns the extent to which these policies influence poverty alleviation in the continent. The answer to this question rests on the assessment of their effectiveness in improving the quality of life of Africans.

The World Bank development cooperation with Africa began in 1951. From that time until the end of the 1960s, the World Bank's policy favoured infrastructure projects like ports, electric power and other public utilities. The evidence in support of this assertion is that between 1961 and 1965, 75 per cent of all lending was for electric power and transportation, while agricultural development received 6 per cent, and only 1 per cent went to social services. Thus, lending for industrial and agricultural production and expansion of social services received little attention; whereas growth in these sec-

tors is critical for poverty alleviation. The World Bank's policy in the 1970s changed to lending for rural development, basic education, health care delivery and housing. The result was that by 1980, the share of infrastructure projects had declined to 39 per cent while that of agriculture and rural development had increased to over 30 per cent of overall lending (Husain 1995).

Nevertheless, in the agricultural sphere, the concentration was on large-scale mechanised farming and on the development of River Basin Authorities and Agricultural Development Programmes. Although these projects reduced out-migration of peasants during the dry season through their engagement in perennial occupations within the project sites, the emphasis on large-scale capital intensive agriculture, as opposed to small-scale labour intensive peasant holding, forced peasants to evacuate their lands, which were in turn acquired by rich farmers. Moreover, the displacement of the peasants due to mechanisation without adequate compensation to enable them to resettle elsewhere encouraged their dispersal, which culminated in a disaster for them because of the loss of their source of livelihood and the resultant exacerbation of their poverty (Adelakun 1999).

Since the 1980s and sequel to the financial and economic crises which depressed many African economies, the World Bank has insisted on structural adjustment lending. This policy shift ties assistance to implementation of the Structural Adjustment Programme (SAP), designed by the International Monetary Fund (IMF) with support from the World Bank. Consequently, resources are focused on countries undergoing macroeconomic reforms that address stabilisation and economic management problems (Koeberle 2003). In actualising this policy, the World Bank asserts that since all public programmes affect the poor either directly or indirectly, assistance to reduce poverty must be comprehensive. Secondly, since the nature and depth of poverty varies across countries, the approach must be flexible enough to allow for country-specific solutions (World Bank 2002a). But Mkandawire and Soludo (1999) and Haque and Khan (2002) have made the case that the reform prescriptions are neither comprehensive nor country-specific, which explains the contradictory outcomes in poverty alleviation being recorded across Africa as the reforms proceed.

The key pillars of SAP include privatisation/commercialisation, trade liberalisation, deregulation of prices, withdrawal of subsidies and devaluation. An assessment of these policies shows that privatisation is succeeding in changing the ownership of public assets through transfers that have not only failed to stop the grabbing hands of the state, but that have also allowed resources to be diverted to the grabbing hands of the new owners of privatised firms (Dyck 2001), with grave consequences for equity and income distribution. Moreover, privatisation in economies with little independent capital

merely opens up the economy to foreign capital with national capital acting as a front. Besides, since such capital is concentrated in the urban areas, the policy has an urban distributional bias with the risk of income inequality between the urban and rural areas being accentuated.

Trade liberalisation and deregulation of prices cannot push the economies of Africa forward because of weak structures of production and trade. Subsidies on strategic goods are critical for mitigating the effects of high producer prices on poor Africans and in countries such as Côte d'Ivoire, The Gambia and Tanzania, fertiliser subsidies, for example, range from 50 to 100 per cent of their market values (Baffes and Meerman 1998). The withdrawal of such subsidies is shattering an important cushion for the survival of the African poor in the affected countries.

In Nigeria, inflationary pressures and social unrest have marked the withdrawal of subsidies, particularly on refined petroleum products, since the inception of reforms. In 1990, for instance, due to subsidy withdrawal, the price of premium motor spirit (PMS) rose to 60 kobo per litre while automotive gas oil (AGO) and household kerosene (HK) sold for 50 kobo per litre. By 1995, the further withdrawal of subsidy led to PMS being sold for 11 naira per litre, AGO for 9 naira per litre and HK for 6 naira per litre. In 1999, that same process ensured that the price of PMS went up to 22 naira per litre, while that of AGO and HK could not be increased due to stiff domestic opposition. By 2003, the price of PMS had gone up to 38 naira per litre and that of HK to 36 naira per litre (Central Bank of Nigeria 2002 and 2003).

The increases in the prices of petroleum products induce inflation consequent upon rises in the cost of transportation and other activities. For example, the 10 per cent rise in the price of PMS in 2000 from their 1999 level pushed up the consumer price index by over 17 per cent that year (Federal Office of Statistics 2000). Adversely affected are the prices of staple foodstuffs that keep the poor moving. The implication for their welfare cannot be over-emphasised as they grope under the weight of economic hardship. In its reaction, the Nigerian Labour Congress staged nation-wide strikes in 2003 and 2004 to protest about increases in the prices of petroleum products. The protests invited police brutality, leading to killings and the detention of union activists. The Nigerian government has not relented in its bid to completely deregulate the downstream sector of the nation's oil industry.

The incessant depreciation of the exchange rate of African currencies vis-à-vis the world's leading currencies has thoroughly weakened the former. For example, in 1980 the official exchange rate of the Ghanaian cedi to the dollar was 9.6. In 2002, that rate depreciated to 8,231.4. In Guinea, the dollar exchanged for 19.0 franc in 1980, but the franc depreciated to 1,971.0 in 2002. In Mozambique, one dollar was exchanged for 32.4 metical in 1980.

But in 2002 the same dollar attracted 23,346.5 metical. The dollar was exchanged for 0.8 naira in 1980, but in 2002 the dollar exchange for 128.8 naira. In Zambia, the dollar was exchanged for 0.8 kwacha in 1980, but the kwacha depreciated to 5,070.0 in 2002 (World Bank 2003b; World Almanac 2003).

This weakness in African currencies complicates the burden of planning and creates impediments to the procurement of materials required by local industries, leading to closures and underutilisation of capacities. Although no reliable data on unemployment exist for Africa, the rationalisation of public enterprises and the retrenchment of workers leads to a deterioration in the employment situation. The increasing number of unemployed and underemployed leads to the emergence of the new poor who swell the ranks of the chronic poor due to loss of jobs. With high unemployment, the faces of Africans are etched with greater sadness than they were before SAP, with a notable rise in violence and frustration-related crimes.

The African crises were caused by macroeconomic distortions coupled with exogenous shocks. The adjustment reforms address the distortions without effectively dealing with the external problems. Granted that African economies grew at some 3 per cent annually between 1990 and 2001, an achievement attributed to the reforms (World Bank 2003b), the increasing foreign indebtedness and deteriorating terms of trade have swamped that growth. For instance, the continent's debt stock rose from 228.3 billion dollars in 1990 to 334.3 billion dollars in 2000, while debt service stood at more than 16 per cent of export earnings in 2000 (United Nations, 1999b; African Development Bank 2001).

African countries spend over 14.5 billion dollars annually repaying their debts. A country like Nigeria originally borrowed about 20 billion dollars between the late 1970s and 2002. Due to high interest rates and reschedulings, the debt has multiplied over and over again to the extent that by 2002 the country has already paid back 38 billion dollars and still owes 28.6 billion dollars (Aluko 2004). In the case of Tanzania, the country spends nine times as much on debt repayment as on health care, and four times more than on education (Bentsi-Enchill 1999).

After improving somewhat during the commodity boom of the 1970s, Africa's terms of trade have continued their customary weakness and plunged by 0.5 per cent on average between 1980 and 1990 and 0.3 per cent between 1991 and 2002 (IMF 2003). The deterioration in Africa's terms of trade in 1994 alone was responsible for the loss of 34 billion dollars in export earnings that year (Jubilee 2000, 2000). Thus, adverse terms of trade fuel the drain of Africa's resources, which negatively affects its capacity for capital accumulation.

Neither foreign direct investments (FDI), official development assistance (ODA), the highly indebted poor countries (HIPC) initiative, nor the poverty reduction strategy papers (PRSP), have been sufficient to offset the debt overhang in Africa. The destination of FDI is to healthier economies. This explains why Africa attracted only 17.1 billion dollars of FDI, representing 2.3 per cent of the 735.1 billion dollars FDI in 2001 (UNCTAD, 2002b). With private capital growing faster than official, the share of official financing has fallen from over 50 per cent in the 1980s to 20 per cent in 2000. Correspondingly, net ODA flows fell to 0.29 per cent of donors' gross national product (GNP) in 1994–1995 and fell further to 0.25 per cent of their GNP in 2000–2001 (Daouas, 2001).

At current levels of about 50 billion dollars annually, there is a large gap between the development ambitions of the international community and the resources being provided through ODA. The Washington Consensus⁵ assumes that there is nothing wrong with the existing development assistance relationship. But from an African perspective, underfunding of ODA undermines the growth prospects, even if it helps fill the investment-savings gap (Manuel 2003). And the World Bank has not been active in canvassing for the transfer of the 0.7 per cent of the GNP of developed nations endorsed by the United Nations as a bench-mark for development assistance.

Admittedly, the HIPC of 1999 envisages that 100 billion dollars of poor countries debt would be written off through the World Bank and IMF. This could provide some succour as the 23 beneficiary African countries have so far received 25 billion dollars in debt relief. However, the affected countries still spent 1.7 billion dollars in debt repayments in 2002 although that amount was almost one billion dollars less than what they paid in 1998 (Links 2004).

Since 1999, PRSPs have become the dominant vehicle for World Bank development policy in Africa. They are prepared by affected member countries through a participatory process involving domestic stakeholders as well as external development partners. They tie assistance to poverty reduction (World Bank 2002b). By 2003, 30 African countries had committed to the PRSP process and 11 of them had completed the full PRSP (IDA/IMF 2003).

However, the PRSPs have several flaws. For instance, while all full PRSPs supported trade liberalisation, they are limited in addressing the negative impact of past trade reforms and do not clarify the link between those reforms and poverty reduction. Gender issues and the access of the rural poor to economic assets are equally under-emphasised. More importantly, they represent the perception of donors about what is good for Africa. And so, however well intentioned, these instruments are not optional but mandatory for access to the financial window of the World Bank. Moreover, the ownership of PRSPs is meaningless because no African country can conceivably prepare and

obtain financing for a project it deems appropriate for its development if the World Bank decides otherwise (Ohiorhenuan 2003).

Overall, the impact of SAP on poverty alleviation in Africa is controversial. The World Bank insists that SAPs have led to major gains being posted particularly in growth of GDP, which benefits the poor through the trickle down effect. It believes that structural adjustment is consistent with poverty alleviation in that the incomes of the economically active poor are raised as their productive capacity increases through their involvement in the adjustment process. Farmers in Ghana and Uganda are cited as benefiting from reforms as biases against agriculture in the two countries have been eliminated, thereby raising farm prices, rural incomes and consequently alleviating rural poverty (Christiaensen, Demery and Paternostro 2003).

But the experience of some other African countries suggests otherwise. In Nigeria, for example, SAP has tended to complicate the country's economic crisis as it exacerbates existing pre-adjustment problems, creates new ones specific to its own contradictions, whilst the state employs force to cow the people as it implements the unpopular policy. In the case of Egypt, Fergany (2002) stresses that in the absence of the institutional environment needed to ensure the declared capitalist efficiency and humanising distributive justice, SAP has resulted in increasing poverty and higher unemployment, leading to widening disparity in income and intensifying social and political polarisation, particularly between rural and urban Egypt. In Malawi, SAP perpetuates economic and social instability as people swallow the bitter pills of structural adjustment and the economy remains one of the poorest in the world after nearly two decades of reforms (Chirwa 2000).

Therefore, the performance of SAP, be it in the industrial sector, or with regard to employment and trade, has been disappointing. This is because SAP is basically a monetarist approach to economic management, hence demand management instruments dominate its pillars. Yet, the production structure in Africa is heavily import-dependent and subject to other rigidities, which should invite more structuralist than monetarist strategies in the reform process. This explains why SAP has not yielded the expected results.

And so, while policy reforms are necessary for economic growth, they are not a sufficient condition for poverty reduction. As the World Bank (2004) admits, success in poverty alleviation depends not just on growth, but on the ability to translate that growth into basic services. Unless growth is combined with increased investments in social services to attain improvement in living standards, poverty will remain, as Africa is witnessing. Consequently, we can argue as Rama (1997) has that those who criticise SAP on grounds of its human development cost have a point. By and large, the welfare cost of reforms has made the expression 'adjustment fatigue' very popular in

Africa as market fundamentalism continues its onslaught against Africa's economic recovery and poverty alleviation programmes.

Conclusion

The primary mission of the World Bank is poverty alleviation and so its development policies should be assessed on their results and impact on human welfare. People living in Africa are the most mired in poverty. As such, Africa has no choice other than to quicken the mobilisation of its domestic resources and seek external interventions in its poverty alleviation efforts. The World Bank has been supportive, but the elevation of adjustment reforms to the status of a long term development strategy instead of a short term emergency measure has dramatically exposed the adjusting states to the vagaries of the market. For sure, macroeconomic stability and growth have been restored in many African countries, thanks to reforms, but the human development cost has been heavy. This creates concerns that the reform process is an ineffective poverty reduction tool.

Adjustment reforms have not yielded the desired poverty alleviation dividends since real improvement has not occurred in the lives of Africans. However, they could help to push the economies of Africa forward on condition that poverty alleviation and not accounting records is their point of reference. The underlying message is that World Bank development cooperation with Africa needs to be strengthened with human-centred strategies and not inflexible reforms – all the more so given that the weak capability of African governments to sustain them makes for ferment in the political economy sense.

In this regard, the fallacy of the neoliberal imagination that the market and state can only exist in opposition to each other requires speedy rejection. What is more, the damage done to African economies by transforming them into a subcontracting position for more powerful political economies equally requires urgent correction. This calls for humane approaches to the adjustment mechanism in order to extend the reform processes beyond the confines of market efficiency. This would also enable the World Bank to adequately address the welfare of Africans in its development policies, since people are the ultimate end of development.

Notes

1. Economic growth is the basis of these models, exemplified in the works of Nurkse (1953), Rostow (1960) and Kuznets (1966) among others. Because these models are neo-classically oriented, resource allocation through the market and capital accumulation are central in their considerations. By way of

the trickle down effect, the benefits of growth are supposed to reach the poor. The high premium placed on price-led adjustment mechanisms inevitably underrates the strength of social and institutional factors in development (for details, see Castro 1983; Wallerstein 1987; Cheru 1993 and Isbister 2001).

2. The World Bank is an acronym, which mainly embraces the International Bank for Reconstruction and Development and the International Development Association. Its main goals are promoting economic development and reducing poverty. Although it is a development organisation, it is equally a profit-making institution. Thus, its objective is not to maximise profit but to earn adequate income in order to sustain its development activities, which it finances through borrowings on the international capital markets.
3. The explanations offered in this paper about development do not in any way dislodge the controversy, which is deeply rooted in political economy. Western economic thought stresses that development has eluded the developing world because of low savings and the attendant shortage of accumulated capital for investments. The Marxian opposition to this view argues that underdevelopment is the result of colonialism, imperialism and unequal exchange. We have not attempted to wedge into this controversy. What is important for our analysis is that African economies are underdeveloped, which encourages poverty.
4. The Human Development Index ranges between zero and one and measures the arithmetic average of a country's achievement in longevity, educational attainment and per capita GDP (for detailed discussion, see Cashin, Mauro and Sahay 2001).
5. The Washington Consensus consists of the reform policies endorsed by the principal economic institutions located in Washington. It summarises the prescriptions contained in the reform packages, which centre on market fundamentalism. In essence, the Consensus rules that all income redistribution directed at reducing poverty is plunder as it lowers growth, which is required for development (for details, see Williamson 2000).

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