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Speaker: Henk Meilin K
African Studies Centre; Leiden, The Netherlands

Topic: Structural Adjustment Programmes and Household Food
Security in Sub Saharan Africa: experiences in Kenya

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Institute of Social Studies, The Hague
The Netherlands

Henk Meilink; African Studies Centre; Leiden, The Netherlands.

Introduction:

Although it may be acknowledged that 'structural adjustment programmes' have achieved some success in revitalising economic growth in Africa, when such basic indicators as poverty and food security of the African population are used as yardsticks, the record of more than 15 years of experimenting with various forms of structural adjustment programmes (SAPs) in Africa has been far from impressive. Unfortunately Kenya is no exception. World Bank estimates indicate that about 30% of the urban and no less than 50% of the rural population now live in absolute poverty. Likewise the proportion of the food poor (unable to consume 2250 calories a day) has increased to 37% of Kenya's total population. Clearly, we are confronted with a deterioration, not an improvement in these basic development indicators.

This raises the question if and how sap reform policies have impacted on the determining factors of poverty and food security at household levels. The complex set of linkages between macro adjustment and micro (food) poverty is therefore the research focus of this paper.

Section 1 briefly outlines the theoretical underpinning and objectives of both IMF-stabilization and World Bank adjustment policies.

Section 2 addresses the question how the outcomes of sap affect the food security position of individual poor households and

Section 3 reviews experiences in the Kenyan context.
1. SAP's Theoretical Foundation.

The World Bank and the International Monetary Fund (IMF) are the driving forces behind the design of 'structural adjustment programmes'.

The general diagnosis of IMF/WB (which is reflected in the content of saps), revolves around the notion that macro imbalances and domestic supply constraints are at the root of Africa's ongoing crisis. Excessive deficits in the balance of payments (external imbalance) and the government's budget (internal disequilibrium) were caused by a number of "external shocks" in the 1970s: the two oil crises; recession and protection in the West; terms of trade deterioration and higher interest rates and lower demand for Africa's traditional exports in the world markets. These developments gave rise to a rapid worsening of the balance of payment position in a great number of African countries at the beginning of the 1980s.

The situation was exacerbated by the consequences of faulty development policies on the part of African states. These included: inappropriate exchange-rate policies (overvaluation of the local currency); disincentive trade policies; heavy taxation of farmer's output and an over-extended public - and parastatal sector. Soon, government expenditures began to far exceed its revenues and led to serious budget deficits, impeding the growth of domestic supplies of goods and services. Constraints on growth of production were also thought to emanate from excessive government regulation of and participation in economic transactions and decision making. This caused 'distortions' in the market- and price formation processes and enhanced the unproductive allocation of scarce resources.

Not surprisingly the proposed remedy involves a substantially reduced role for African governments. Financial resources should be switched from the public to the private sector and from consumption to productive investments. More funds in the hands of private producers, accompanied by a proper price incentive structure, will lead to increased output, more employment and rising incomes for the African population. A move to market-driven African economies is also expected to produce internationally competitive goods and services which contribute to the foundation of sustained, export-led production growth. Correct price signals are crucial and assumed to effectively work their way through all (monetized) sectors of the economy where markets of different types (for products, inputs, labour, land and capital) are well integrated and operate in an efficient and smoothly manner.
In sum, these are the characteristics of the type of economic system envisaged to be the best guarantee for sustained economic growth and welfare (World Bank; 1989, 1994).

The road to rectified macro imbalances and restored economic growth will necessitate two types of policies: in the short term stabilization measures which are to reduce the budget and balance of payment deficits and secondly adjustment reforms aimed at tackling output constraints.

Stabilization (usually the realm of the IMF) is to be achieved through cuts in overall public sector spending (including investment); diminished money supply and credit creation (to curb inflation); the phasing out of subsidies (for example on food and agricultural inputs); the retrenchment of government employees; a general wage freeze and a rise in real interest rates to stimulate savings and discourage consumption. All these measures are meant to reduce the level of aggregate demand in the economy.

Adjustment (usually the W.B.’s concern) is a far more difficult goal to achieve. Here the aim is to restructure the economic sectors and remove the constraints to higher productivity and efficiency of available resources. Policy instruments include: a devaluation of the national currency, with the twofold intention of reducing imports and stimulating exports and thereby improving the balance of payment (the devaluation is also expected to increase producer prices of agricultural export tradables); removal of external and internal trade barriers; an overall decontrolling of prices with the aim of ‘letting the market work’ and the privatization or commercialization of inefficient public sector enterprises (such as agricultural marketing boards).

It is important to realise that given this multitude of policies and differing concerns, IMF and the World Bank at moments run the risk of “treading on one another’s toes”. Agriculture is a case in point: to comply with IMF stabilization conditionalities, African governments may decide to reduce expenditures on rural infrastructure (on maintenance and construction of roads for example), or on fertilizer- and credit subsidies or on extension and research programmes. However, seen from the World Bank’s point of view, these measures could seriously impede the farmer’s ability to respond to price stimuli offered by adjustment policies (in particular devaluation). The more so because it is widely agreed that ‘environment factors’ such as technology, infrastructure, extension and reliable agrarian input delivery systems, compared to price incentives, have shown to be more critical for enlarged agricultural output. Consequently, the policy of cutting this type of government expenditures for the purpose of “restoring macro equilibra” may well work counterproductive.
In general IMF policies can be implemented relatively easy and swift, whereas the W.B.'s task is more demanding and will take much more time as complex inter-relations in the economic and political domains are involved. The highly undesirable result of such an a-synchronic development is that the economy is 'macro-balanced' but at the high cost of a reduced level of production, consumption and higher unemployment, in other words at the cost of increased poverty. This outcome is usually referred to as 'adjustment with an inhuman face' (Cornia, G., Stewart, F. and Jolly, R, 1987).

It is surprising to see the forthright manner with which the text-book IMF/W.B. prescriptions are applied to African economies, notwithstanding the present limited knowledge, in particular of the large 'informal and parallel markets' in Africa. Essential elements in sap thinking are prices and markets. Price signals are assumed to stimulate and switch production towards tradable goods and services. And markets are assumed to be integrated and operating efficiently.

But how does sap theory compare to Africa's 'real world' conditions?

The agricultural sector and small farmers in particular are expected to benefit from three types of reforms : a) an end to past policies of high export taxes and overvaluation of the national currency. Devaluation (and the subsequent producer price rises) combined with internal decontrolling of price formation will enhance agricultural output.; b) improved domestic marketing of agricultural produce. The replacement of inefficient parastatal marketing boards by private traders will lead to substantial lower operating costs of marketing activities. Gains resulting from more efficiency in the marketing system are assumed to also accrue to producers and c) reforms in international trade regulations. Liberalization of import/export licensing rules, of tariffs, quota's and subsidies are also expected to clear the way for enlarged trade and production in the agricultural sector.

However, higher prices do not automatically reach producers in Africa. In the case of dismantled marketing boards, private traders and transporters (often the same individuals) usually seize the greater part of gains. And in many African countries the process of 'liberalization' is slow. Boards continue to operate and contribute to the extremely high cost structure of transactions in rural Africa.
Markets in Africa are not well integrated due to poor infrastructure and communications networks. This causes large price differentials between regions which far exceed 'normal' trade and transport margins. Especially food markets are fragmented. Prices here are first and foremost determined by the whims of nature, that is the unpredictable rainfall conditions in Africa. These cause large seasonally and yearly variations in food supplies which in turn translate into fluctuating prices. There is evidence that rainfall and lack of market integration are far more important price determining factors than any type of pricing policy (Meilink, 1987).

In the African context, sap emphasis on 'tradables' is also questionable. The principal orientation of the great majority of small farmers is towards securing household food supply (and less with 'income maximalisation'). Staple foods in Africa (maize, millet, sorghum and cassava) are largely non-tradables. These foods often constitute a significant share of rural market volumes and of per capita calorie consumption and their prices are mainly determined by local and seasonal conditions. Therefore sap-induced price rises in tradables will largely by-pass the majority of rural households. The more so if one realises that in Sub Saharan Africa, only a small part (20-25%) of the total number of farmers is supplying the greater part (70-80%) of total agricultural marketed production.

Even if farmers are prepared to switch to tradables, higher interest rates and increasingly more difficult access to credit and other agricultural inputs (associated with sap reforms) will raise their production costs which may or may not be offset by a higher producer price.

These few examples may suffice to illustrate that 'price- and market formation' in the African context often takes place in a different way than is anticipated in the sap design.

2. SAP and Food Security.

The concept of 'food security' has a long history. It can be traced back to the 1948 Universal Declaration of Human Rights of the United Nations (Maxwell & Frankenberger, 1995). But the concept attained wide usage since the World Food Conference in Rome in 1974, organized in response to serious global food shortages and famines which had developed at the beginning of the 1970s.
A widely accepted definition of food security is the World Bank's: access by all people at all times to enough food for an active and healthy life.

In the course of time food security is examined at four different levels: 1. national (food production, food self-sufficiency, food imports, food aid and the national stock of food reserves are here the key issues). 2. regional (with aspects such as marketing and distribution, surplus and deficit areas, transport and infrastructure). 3 households (the basic unit for production and consumption of food) and finally 4. the individual members of households (here issues of intra-family distribution of food and gender-related inequalities have grown to attract research attention).

At all levels, three elements of the food security concept have been emphasized: a) supply (adequate food availability originating from own or external resources); b) distribution: (food should flow to those in need of it) and c) access: food might be plentiful but out of reach for certain poor sections of the population as a result of lack of "entitlements", a concept developed by Amartya Sen (1981). Insufficient access to 'production factors' (land in particular) and/or insufficient purchasing power (money) often cause households to go hungry despite adequate food production at the national level. In this way, food insecurity is defined as essentially a poverty problem.

In Africa the poor and food-insecure are found in both rural and urban areas but the great majority is concentrated in the rural areas and consists mainly of small holder farming households, pasturalists, female-headed households and landless agricultural workers. In urban areas, the poor mainly are self-employed in petty trade and production in the informal sector. Increasingly the urban poor comprise a category usually referred to as the 'new poor': the laid-off public or private sector employees who became redundant as a result of sap measures.

Their food security situation is determined by a host of interacting factors which range from access to agricultural production means, market infrastructure, output- and factor prices and other sources of income, community support mechanisms, wars and conflicts, droughts, kinship and lineage relations, nutrition knowledge and eating habits, food storage and processing facilities, health and sanitary conditions, decision making on the allocation of household expenditures, including food purchases, women's work load and time use and environmental degradation.

Thus the food security concept has developed to encompass a wide spectrum of very diverse variables, many of which are not directly influenced by sap reform measures.
The analyse of the full impact of sap reforms on the large economic aggregates and on the food security of various socio-economic groups would necessitate a comprehensive econometric model capturing and quantifying all the relevant variables. Various versions of "computable general and partial equilibrium models" and "social accounting matrices" have been developed but have met with numerous operational problems. Moreover in the case of Sub Saharan Africa, the paucity of statistical data also seriously complicates such an exercise. In practice, 'second best' solutions of simpler frameworks are used in which the key factors that play a role in the sap-food security linkages are established and their workings theorized and empirically tested.

At least three sap policy measures with food security implications can be identified: a) currency devaluation and export promotion; b) decontrolling of prices including removal of subsidies and c) cuts in public sector provisions and introduction of cost recovery charges. These will affect the following crucial determinants of household food security: 1. Producer- and consumer prices, 2. Sources of household income such as wages and employment and 3. 'Consumption' of public provisions (education, health, food subsidies).

a). Devaluation.

A relatively lower value of the national currency will raise the price of tradable products and decrease non-tradables prices. The consequences for individual households depend on the share of tradables relative to non-tradables in the production structure and consumption pattern of the type of household under review. Those households who produce largely for the market and consume mainly non-tradables benefit most. But those groups of households who generally buy from the market most of the food they consume (the urban poor, the landless and the resource-poor small farmers) will be hurt by these food price rises. In general the poor spent a large proportion of their income on food purchases. Their food demand is highly price-elastic causing food price increases to have a significant adverse impact on their real incomes.

As producers, the rural poor may benefit from devaluation and its associated price changes in so far as they are net producers of export or import substituting commodities. However in a situation where the bulk of marketed produce comes from a small group of large farmers gains will be concentrated in their hands. Moreover, as already noted, price increases of export products may not always reach the small farmer but get diverted to the government budget. The 'shadow side' of devaluation is that import prices of used agricultural inputs (fertilizer) will rise and may significantly offset the gains of higher producer prices.
On the other hand increased import food prices (wheat and rice) may cause urban consumers to shift to domestically produced foods of which the prices have increased less. Such a development would benefit domestic food producers and farm labourers (through a higher demand for labour).

b). Employment and wages.

A central SAP assumption is that government policies in the past have discriminated against the agricultural sector and turned the terms of trade in favor of the urban areas. The 'urban bias' resulted in large differences between urban wages and rural incomes. SAP seeks to redress this bias through a policy of general or public wage restraint combined with retrenchment of employees in the public sector.

There is ample evidence that in the 1980s urban real wages have declined continuously coming down to just a fraction of what they were in the 1960s. In addition, the level of formal sector employment in urban areas has fallen dramatically, making the number of 'privileged' wage earners very small. The notion of an 'urban wage aristocracy' has completely lost its validity.

Declines in urban household's income levels may seriously affect their food security situation because food requirements must be met through purchases at higher market prices.

In the rural areas in contrast, paid labour is usually employed in the production of exports and food where price increases will occur and are expected to have a positive effect on employment and wages.

It is important to note that the loss of urban employment is immediate whereas the gain in rural employment may or may not materialize in the course of the adjustment process. Employment growth has to come from expanded production, but the existence of basic rigidities in the African economies (combined with hostile international market conditions) are not conducive in promoting export- and overall growth.

c) Cuts in government expenditures.

SAP also implies cutbacks in government spending on social services such as health, education, water, transport and reductions in subsidy transfers. However it is generally acknowledged that expenditures on health and education constitute investment in human capital which is a prerequisite for long term economic growth.
Scaling down food and fertilizer subsidies has a direct negative impact on the ability of poor households to either purchase or produce the food they require. Raising fees and the introduction of user-charges for social provisions may also threaten food security of poor households as they may tend to sacrifice food consumption in order to keep access to these essential services.

However, often the benefits of subsidies fail to reach the poorer households because larger farmers and better-off urban households manage to have easier access at the expense of the poor. The poor are often forced into parallel markets where prices have long been higher than the official ones. Consequently, removal of subsidies may not really affect the poor.


Kenya was one of the first countries in Sub Saharan Africa to embark on a structural adjustment programme (in 1980). The macro economic and sectoral responses to sap reforms have been given ample research attention (Mosley, 1991; Gibson, 1992; Swamy, 1994). But in contrast there has been no systematic study of the effects on different socio-economic groups. Evidence on the empirical sap-poverty linkages is often "patchy, anecdotal and circumstantial" (Ikiara & Tostensen, 1995: 42). And when it comes to the effects of sap on food security the research record leaves even more to be desired.

Lack of 'facts and findings' generally feeds the ventilation of speculative views including those on what saps are doing to a country's economy and population.

In Kenya, as elsewhere, critics of sap see their implementation as a major contributing factor to increased poverty or even attribute all sorts of misery to sap because they coincide in time. Proponents are more inclined to relate continued falling standards of living to serious government neglect or half-hearted commitment to sap reforms which prevented rapid and equitable economic growth.

When looking back on 15 years of sap experience in Kenya, it is indeed surprising to see that so little has been achieved in the years up to 1993 when the government for the first time effectively engaged in reform implementation. The first 13 years of sap implementation in Kenya were characterized by a flat noncompliance to the agreed IMF/WB terms or numerous reversals of reforms that had already been put in place. Admittedly, shortcomings in sap design and timing have also played their part.

By 1992 tensions and frustration had culminated to the point that the World Bank in consultation with other donors decided to suspend sap related credits.
Donors had already expressed their concerns with the 'lack of transparency and accountability in the use of public funds' during the consultative meeting in November 1991 (Swamy, 1994:195).

In the first phase of SAP in Kenya (1980-1984), it was agreed that reforms would be implemented in the fields of agricultural marketing (in particular the liberalization of maize marketing), reduced industrial protection and a better control of government borrowing and expenditures in order to arrive at a reduced fiscal deficit. Furthermore, the introduction of real positive interest rates and a system of a crawling peg exchange rate was agreed upon which would enhance savings and investment in the private sectors.

But the pace of implementation was disappointing slow especially with regard to the politically sensitive liberalisation of maize marketing.

In the mid-1980s, the World Bank introduced sectoral-oriented adjustment loans. The purpose of the first agricultural sector loan was to restructure the national food board (National Cereals and Produce Board) along with other parastatals who were absorbing large proportions of the government budget. A second loan of this type concerned reforms in the financial sector and focused on fiscal discipline of both the private banks and the government.

But again commitment on the part of the Kenyan authorities was lax and results disappointing.

As already noted, donor's growing discontent led to the canceling of SAP credits at the end of 1992. The arguments for this aid suspension are manifold and also instructive. They include: poor implementation of agreed reforms, fiscal indiscipline, rising levels of corruption, slow reforms in the civil service and privatization of public enterprises, lack of accountability of public enterprises, failure to establish a supportive environment for the private sector, a slow pace of political reforms and the re-introduction by the government of grain movement restrictions. The reckless expansion of money supply (by accelerating printing of bank notes) associated with the financing of the 1992 general elections had also raised much donor concern (Ikiara & Ndung'u, 1996:5,13).

Inflation in the following year rose to the unprecedented level of almost 50%.

In 1993 the government decided to 'appease' the donors and rapidly implemented a number of long overdue reforms. In two years time, by the end of 1995, major progress had been made in such areas as:
- the liberalization of imports and exports;
- removal of exchange controls and a freed exchange rate mechanism;
- removed barriers to foreign investments;
- dismantling of domestic price and trade controls;
- efficient utilization of available credit resources, tight up with a stringent monetary policy;
- reforms and increased accountability of public enterprises;
- reducing the budget deficit (mainly through a reduction of the number of civil servants);

As the serious commitment to adjustment started only recently in 1993, the assessment of the outcomes of sap reforms both at the macro economy level as well as at the household levels becomes problematic!

Also the method-shortcomings of comparing "after and before" sap, with the implicit but faulty assumption that changes in the indicators are fully attributable to sap policy measures, makes outcome assessment a hazardous exercise.

Nevertheless, comparing the recent period of intensive adjustment with earlier years, one is surprised to see the gloomy evolution of some of the key indicators. In the 1992-94 period overall GDP growth dropped to a mere 1.1% down from 5% in 1985-91. Declines have also occurred in the ratio of investment to GDP, and in growth rates of the agricultural and manufacturing sector (Ndung'u & Khasiani, 1996:8). On the positive side, an improvement in the budget/GDP ratio and a remarkable increase in export growth can be observed. But imports also increased drastically.

It must be reminded that economic performance in the first years of the 1990s was also adversely affected by rising political tensions and outbursts on top of a serious drought in 1992. Therefore, relating sluggish economic growth rates in a uni-causal manner to sap reforms would be misleading.

An important question from a (food) poverty point of view is the evolution of such critical indicators as employment and wage rates. Here the link with the implementation of sap is more straightforward.

The success of import liberalization in Kenya has resulted in massive importation of cheap consumer goods (clothing for example) which caused uncompetitive domestic firms to close down or scale down their production levels and lay off a substantial number of their employees.
A second component of SAP, cuts on public expenditure was largely effectuated through reducing the number of civil servants. By the end of 1995 already some 25,000 civil employees had been retrenched, mostly within the unskilled and semi-skilled categories. These developments contributed to Kenya's already formidable unemployment problems. Every year the nearly 500,000 new entrants into the labour market are confronted with a decreasing number of new jobs. Employment in the informal sector has increased dramatically and absorbed over half of the total workforce by 1994. However growth in this sector does not reflect any dynamism or profitable expansion trends. The sector rather serves as a residual recipient market of the newly unemployed in the formal sectors.

The evolution of the real wage levels in Kenya has also been adversely affected by SAP measures. In the public sector the government held down the wage bill as a means to reduce expenditures and the private sector showed lower real wages as their demand for labour slackened following production cuts. During the 1980s, public real wages fell by over 15% compared with 7.3% in the private sector (Swamy, 1994: 226). They continued to decline in the 1990-1994 period.

Kenya's educational system through time has expanded rapidly. Basic indicators such as primary school enrollment rates and adult literacy are among the highest in Sub-Saharan Africa. Government expenditures as a share of GDP increased from 5.5% to 6.4% in the economically difficult period of 1985 to 1990. Contrary to what is often thought, Kenya has known a relatively high and rising share of education and now faces the problem of its future financing. However it is very likely that in the 1990s, the situation has deteriorated with the introduction of higher school fees and other user charges as a result of SAP austerity measures. Given the trend of falling real incomes for many households in Kenya, an increase in the number of school drop outs is bound to occur.

Similar to education, health indicators such as infant mortality and life expectancy also have improved dramatically in Kenya. The share of GDP devoted to the health sector has stabilized at 1.7% in the 1985-1990 period. However, in 1989 the government introduced user-charges for in- and outpatients at all public health facilities, except dispensaries. The 1990s saw a shift from hospital attendance to dispensaries and smaller health centres. But also in the 1989-1992 period, the government decided to increase the share of health in total recurrent spending from 7.6 to 8.5%.

It may be tentatively concluded that in Kenya government expenditures directed to the education and health sectors have not unduly been squeezed.
As noted before, *prices of food* (producer- as well as consumer prices) are important food security determinants at household levels. In Kenya, retail prices of basic foods increased significantly during the 1980s: maize 240%, wheat flour 176%, sugar 87%, milk 162% and tea 158%. Comparing the price of maize (the staple food) with changes in the wage index (a rise of only 134% in the same period) suggests that its price rise represented a substantial fall in the purchasing power of household income in the 1980s. Producer prices of maize in the second half of the 1980s rose by only 42%, while consumer prices in that period almost doubled (World Bank, 1991:53). The conclusion is that the poorer households who usually spent a higher proportion of their income on staple foods have suffered most.

Again a tentative conclusion might be that SAP measures, in this case the decontrolling of domestic price formation combined with devaluation of the Kenyan shilling, have been accompanied by a modest increase in *producer* maize prices, but much more rapid rises in *consumer* (retail) prices. Whether there is causal relationship remains to be seen.

This first impressionistic review of Kenya's SAP experience offers evidence for two tentative conclusions: 1. The *urban* population group depending on wages and employment in the formal sectors of the economy seem to be the first to be affected by the short term adverse impact of SAP implementation. And 2. Inflationary food price rises of Kenya's staple food maize have negatively influenced the food security situation of both the urban poor and the net food buying households in the rural areas.

It has also become clear that a comprehensive analysis of the SAP-food security and SAP-poverty nexus is still hampered by numerous problems of a methodological, conceptual and statistical nature. Much work remains to be done before authoritative judgements can be made.
References:


