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Africa's Economic Resurgence: Is it Possible?

Abstract

Economic theory suggests that inequality between nations is caused by a failure to strike an optimal balance between capital, goods, and labor within a framework of appropriate rules and regulations. This leads to misallocation of a nation's resources – both capital and physical - resulting in distorted use and flow of capital and goods. Politics, regulation and policy-making lie at the heart of such "distortions" which come at a huge cost to societies. Due to these distorted flows, Africa was left behind in the race for economic development, as compared to the other regions of the world. Such distortions have been attributed also to the faulty policies in the 1980s and 1990s of the International Financial Institutions - the IMF and the World Bank - which stressed structural adjustment and an open market economy with limited state intervention. Additionally, WTO's trade regimes further impacted the "flow of goods" due to the unfair trade regime, which put the African countries at a disadvantage when competing with the rest of the world for domestic and international markets. In aggregate, these distortions in the flow of capital and goods have had a negative impact on the economic development of the countries in Africa. Some countries provide an interesting contrast to Africa in terms of managing the distortions in the flow of capital and goods. For instance, India, through better management of its economic policies, has been able to monitor and manage the flow of capital and goods and, thereby, has been able to achieve sustained economic growth. India's growth has been an outcome of a concerted effort to maintain the

balance between reforms and regulations. By maintaining this balance through a gradualist approach, the African countries too can march on to the road of economic progress. The signs progress are also actually becoming visible in Africa, as in the case of Botswana and Mozambique.

Introduction

Most of the African nations achieved independence in the 1960s and 1970s. At the time of independence, majority of them were left bereft of functioning political and economic institutions by their colonizers. Before these countries could rise and rebuild themselves from the ruins of the colonial rule, the OPEC crisis hit them during the 1970s. The OPEC member states increased the price of oil steeply twice in one decade. The oil price hike depleted the region's financial resources, significantly impacting the development and economic growth. During this period, Africa's debt increased exponentially due to massive capital outflows triggered by the oil price hikes. Despite being endowed with huge oil reserves, Africa had to pay a price for its dependence on oil imports, as most of the oil states in Africa had either not discovered their reserves at that time, or they could not share the benefits of the higher price due to the lower levels of production, in some cases due to the corrupt governance at home, as in the case of Nigeria. The oil price hike also reduced the international demand for other commodities which adversely impacted the African exports. The debt crisis, triggered in part by the oil crisis, thus, paved the way for a growing role of and dependence on the International Financial Institutions (IFIs) - the International Monetary Fund (IMF) and the World Bank. The IFIs, along with another international institution, the World Trade Organization (WTO) aimed to revive the economies of the African nations through the adoption of structural policies to facilitate economic growth. Unfortunately, the adopted policies resulted in the distortion of the flows of capital and goods to Africa, which subsequently hurt the nascent African economies even more. As a consequence, the 1980s has been characterized as the "lost decade" for Africa.

The thesis of this paper is that capital flows to Africa became distorted due to its dependence on the IMF and the World Bank for capital formation, and as a consequence, the subsequent adoption by countries of their faulty policies. The flow of goods was also distorted due to the creation of an uneven playing trade field, and the unfair competition engendered by the WTO.

The paper, in the first section, will explore the emergence of the divide in terms of economic growth between the developed and the developing world after the Second World War. This section will also explore the changing nature of this divide to becoming one between Africa and the rest of the world by the end of the 1990s. In the second section, the distorted flows of capital and goods to Africa and their adverse impact on the economic resurgence of the region will be explored. In the third section, the paper will analyze that how through the better management of these flows countries like India have been able to achieve a sustained economic growth over the years. Drawing parallels between the countries in Africa and India and also focusing on the success stories within

Africa, in the fourth section, the paper will explore the possible policy options for the economic resurgence of Africa.

I. The North-South Divide

After the Second World War, the world became divided into what was called the developed world of the North, spanning the wealthy nations largely in the northern hemisphere, and the underdeveloped world of the South, comprised mainly of the newly independent countries in Asia and Latin America with weak and developing economies. This division between the North and the South came to be known popularly as the North-South divide. The divide became more pronounced as more and more countries in the South gained independence in the 1960s, 70s and the 80s.

However, by the late 1990s and the beginning of the 21st century, this gap started to close. Some countries, particularly in Asia, experienced economic resurgence. Steady growth was observed in the Gross Domestic Product (GDP) and the Per Capita Income of the countries in the Asia-Pacific and South Asia during 1990-2002. However, the growth chart of Africa did not show much progress during this period. The African continent remained untouched in the process of development as Asia made progress in terms of the indicators of economic growth and development – GDP, per capita income, poverty and human development. As a result, the North-South divide of the 1950s, 60s and the70s became the divide between Africa and the rest of the world in the 1990s.

The African continent is divided into North Africa and the Sub-Saharan Africa. The latter comprises of 48 out of the 54 countries in the continent. The six countries in North Africa, Egypt, Libya, Algeria, Tunisia, Morocco and Western Sahara, are more tied economically to the Middle East and the Arab world. The international institutions like the World Bank and the UN, when measuring economic growth of different regions of the world, usually club North Africa and the Middle East together. The development and under- development of the countries in the Sub-Saharan Africa provides a closer picture of the state of economy in Africa. The following Table shows the disparity in economic growth between Asia and Sub-Saharan Africa at the dawn of the 21st century in terms of GDP, per capita consumption and poverty.

Economic Indicators	Year	East Asia & Pacific	South Asia	Sub-Saharan Africa
GDP (1995 $ billion)	1990	400	240	260
	2002	1800	260	275
	% change	350%	8%	6%
Poverty (% pop below $1 a day)	1990	31%	46%	47.4%
	2002	15.6%	35%	49%
	% change	-50%	-24%	3%
Per Capita Household Consumption (1995 $)	1990	280	230	410
	2002	540	280	400
	% change	93%	22%	-2%

Sources: World Development Indicators (2004) & Human Development Report (2003)

The disparity between Sub-Saharan Africa and Asia also became evident in reference to human development. Human development, which is another indicator for measuring economic growth, is assessed by the United Nation Development Program (UNDP) through the Human Development Index (HDI). The HDI measures the average achievement across three basic dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living (UNDP, 2010). The HDI remained stagnant at below .5 in Sub-Saharan Africa while it steadily rose in South Asia and East Asia from .5 to .6 and .65 to .75 respectively, between 1990 and 2002. The HDI ranges from 0 to1 and the index score of 1 is considered to be the highest level of human development.

II. Distorted Flows of Capital and Goods

Ever since their independence, countries in Africa have lagged behind in the race for development because they have made limited progress in terms of the essential ingredients of economic growth which include, investment in human capital, research and development, and also adoption of an effective monetary and fiscal policy (Gwartney and Stroup,1992). These investments require capital. Africa lapsed in domestic capital formation, which is largely dependent on domestic savings. Africa was caught up in the "*vicious cycle of underdevelopment*" - low income leading to low savings and low investments resulting in retarded growth. (Gwartney and Stroup, 1992, 849)

Domestic capital formation and domestic investments became impossible in Africa. Therefore, Africa had to rely on capital flows from outside. The countries in Africa could not attract foreign private capital due to political instability at home. As a result, Africa looked towards the IFIs for financial assistance.

The countries of Africa also became associated with the WTO during the 1990s. It was believed that the free trade regimen adopted by the WTO would potentially offset the negatives of the "*vicious cycle of underdevelopment*" by facilitating Africa's exports. Therefore, a number of countries joined the WTO during that period, including Botswana, Mozambique, Tanzania, Kenya and Nigeria. But the WTO policies also necessitated the African nations to open their trade borders, thus, exposing the nascent African industries to foreign competition and, therefore, stunting their growth. In addition, Africa could not reap the benefits of its agricultural and mineral richness through exports due to the uneven trade practices, agricultural subsidies and non-tariff barriers, adopted by the developed world despite WTO's emphasis on free trade. In the absence of a leveled playing field and due to unfair competition, thus, African economies could not grow under the auspices of the WTO.

The growing dependence on the IMF and the World Bank for financial assistance and increasing association with the WTO marked the beginning of the downward spin to Africa's economic growth and prosperity. The policies initiated by these international institutions negatively impacted capital flows and the flow of goods to the African nations and, thus, widened the gap between Africa and the rest of the world as explained below.

Flow of capital

Africa's dependence on the IFIs for capital flows had a negative impact on the region's economic health. The IFIs controlled and altered the capital flow based on the adoption of certain policies, popularly known as the Structural Adjustment Programs (SAPs). The SAPs required the African governments to undertake certain economic reforms. The rationale behind these reforms was that the reduced role of the government and an open market system would result in the overall economic growth of the countries. Therefore, under the IFIs mandate, the governments were required to streamline their budget deficits by cutting down government expenditure.. Slashing down of government expenditure, however, led to reduced spending on basic services like health and education. It also resulted in bringing down the public sector, in favor of the private sector, leading to large-scale lay-offs and hence increased unemployment. In Tanzania, the unemployment rate increased from 3.6% in 1990-91 to 5.1% in 2000-01. Also, during the SAPs period, primary and secondary level education in Tanzania went from being free to being based on tuition due to the budget cuts. Similarly, Kenya's adoption of the SAPs led to widespread marginalization of education and health benefits and also increased unemployment.

Furthermore, the flow of capital was disrupted if the recipient nation was unable to carry out the required economic reforms. Even the Highly Indebted Poor Countries Initiative (HIPC), introduced by the IMF and the World Bank, to address the growing debt of the African countries was conditioned on the adoption of the IMF- sponsored policies

As a result, Africa lost both ways. If reforms were undertaken, the basic necessities of the people like health, education and employment, remained unattended. And if the pace of the economic reforms was slow, capital flows slowed down and in some cases, even stopped.

In addition, the IFI's required the governments to devalue their currencies. The devaluation of currencies further resulted in the depletion of the domestic capital. The rationale for devaluation was that currency devaluation would increase exports of African goods and, thus, help in capital formation. But the logic did not work for Africa. In the absence of technical know-how, and also growing competition engendered by the WTO, African exports could not become qualitatively competitive in the world markets. For example, Tanzania's exports, which were primarily in agricultural goods, suffered as Tanzania lagged behind Asia and Latin America in the race for export markets. Contrary to the IMF and World Bank belief, the exports did not grow. In fact, whatever limited wealth that was accumulated through limited exports dissipated due to devaluation.

Flow of goods

Integral to the Structural Adjustment Program of the IFIs was also the mandate for privatization and liberalization. The membership of the WTO too necessitated these policies, which resulted in the distorted flow of goods to Africa.

Privatization and liberalization worked in conjunction with each other to distort the flow of goods to Africa. Under the framework of the Structural Adjustment, the governments were required to privatize their economies which essentially meant the transfer of ownership from public to private enterprises. It also meant limited role of the government in terms of regulation and financial assistance to the corporations. In the absence of a well-established domestic private sector, as the public enterprises closed down, Africa saw reduced production at home and increased flow of the foreign goods into the domestic markets due to the open trade borders. Open trade borders were an outcome of the policy of liberalization, to facilitate free trade. As a result, as the foreign goods invaded the domestic markets the nascent manufacturing industries of Africa ached. It is no surprise that even after years of industrialization, Africa still continues to be a commodity-based economy- a supplier of raw materials.

Open trade borders also resulted in the dumping of the foreign second hand goods in the African markets. Africa had a large consumer market of around 700-800 million people. But a large number of these consumers did not have the basic purchasing power, and those who could, preferred to buy only cheaper goods. Privatization, which also resulted in job cuts and lower salaries, further limited the purchasing power of the consumers. In such an environment the cheaper imported second hand goods, which had no market in the exporting country, found an easy access to the African markets.

The dumping of inferior second hand goods became a death-knell to the domestic industry in Africa. Kenya's textile industry almost died because of the import of cheaper second hand clothing from the United States. Nigeria's manufacturing sector could not match the cheap imports of second hand clothes, footwear and vehicles.

In addition, the flow of goods to Africa also became distorted due to the unfair trade policies adopted by the developed nations. Being primarily a commodity-based economy, Africa's exports were hurt because of the tariffs imposed and subsidies adopted by the developed countries on these commodities. The African farmers had to sell their produce at a very low price because of the subsidies provided by the US and the European governments to their farmers on various agricultural commodities.

The developed world was in a win-win situation. They had the advantage of technology, skilled labor and years of experience which helped them to dominate the world market in the absence of any competition. Trade began between unequal players. Added to it, the unfair policies adopted by the developed world made the playing field even more uneven to the disadvantage of the African countries.

III. Structural Adjustment Policies: India's Experience

It would be pertinent to examine the economic policies adopted by countries, like India, which have experienced an unprecedented economic growth in the past couple of decades by successfully managing the flow of capital and goods to their advantage.

India and Africa shared a common colonial heritage. As colonial legacies, India and the countries in Africa inherited an infant economy at the time of independence. The initial years after independence did not show much economic progress in either of the two.

India's relationship with the IMF began in the aftermath of the OPEC revolution of the 1970s. The rising oil prices (OPEC revolution) and the subsequent debt crisis paved the way for the first IMF loans to India in 1980-81 to be followed by a second loan in 1991. As in Africa, the IMF emphasized adoption of the Structural Adjustment Policy.

India's association with the World Bank, however, dates back to the time of the creation of the Bank in1944. After an initial honeymoon period, when the development loans were offered to India with no strings attached, the Bank also made its loans conditional on "Structural Adjustment" after the OPEC decade.

In addition, participation in the GATT system and later on the membership of the WTO necessitated adoption of an open trade regime.

But despite the conditions imposed by the IMF, the World Bank and the WTO, the Indian policy makers chose not to be a "Washington Consensus" state. "Washington Consensus" emphasizes the principles of an open market economy which became a shared theme of the Washington-based institutions, the IMF and the World Bank. The Structural Adjustment Policies as mandated by the IFIs were considered to be an outcome of the "Washington Consensus." Therefore, the Consensus entailed widespread and fast pace of liberalization and privatization, which meant an open market economy with very little or no control of the government over the flow of capital and goods. The consensus also emphasized reducing the role of the government and cutting down government expenditure. The "Washington Consensus", thus, introduced what is often called a "shock treatment" for the depressed economies. India, however, did not go the Washington way and chose to adopt what can better be called a "Delhi Consensus". India did adhere to privatization and liberalization, but its pace was controlled. Similarly, India did reduce the role of the government but did it gradually. A controlled and a gradual pace gave the policy makers control over the flow of capital and goods.

The "shock therapy", as prescribed by the "Washington Consensus", is regarded by the economists as not being conducive to the economies lacking the basic infrastructure. Therefore, it is essential for such economies to monitor the pace of the economic reforms to facilitate infrastructural development along with the reforms. The Indian policy makers continued to develop a basic infrastructure – political, physical, economic and social – along with their emphasis on open market reforms.

Political infrastructure: presence of a stable government

India has been fortunate to have had some semblance of political stability since independence in 1947. Despite the multi-party system and frequent coalition governments, India's polity has largely been democratic. In terms of physical, economic and social infrastructure, however, India paralleled the situation in Africa.

Physical Infrastructure: a well-functioning communication and transport sector

Along with the adoption of an open market system in 1991, India renewed its efforts to build the physical infrastructure to maximize the benefits of these reforms. In terms of physical infrastructure, India has particularly taken major strides in the telecom and transport sectors as detailed below.

Operating under limited regulatory norms, India was able to built and grow its telecommunication sector. Behind the growth, however, there has been a succession of gradual reforms undertaken by the government of India. At first, the Department of Communication, gave up its monopoly as the sole provider, although its role was not completely scrapped. The Department of Communication transitioned from being the sole provider, to a major provider, and later, to a third or fourth category provider. This prevented the watershed of a new unemployed force, which would have strained the economy because of the shutting down of a public sector telecom corporation.

Although the National Telecom Policy of 1994 and 1999 were adopted to expedite openness in the telecom industry, certain basic tenets to ensure good economic health of India were also maintained in the policy:

1. Emphasis was laid to make the rural areas accessible by the telephone lines.
2. The Department of Telecommunication maintained authority over issuing licenses to new service providers: a policy which assisted in maintaining healthy competition and a good private sector environment by preventing the market from being flooded by numerous players with a potential for frequent infightings and thinning down of the profit margins.

In addition, India has assisted the growth of its transport sector - roads, civil aviation, ports and railways --through the "Public-Private Partnerships" (PPPs). PPPs are based on a collaborative model between the private sector and the government. The private companies, if allowed to operate independently without any constraints, generally operate with a profit motivation and, therefore, they concentrate their investments in profitable regions thus creating developmental disparity within regions. Under the PPPs model, however, the private sector brings in capital and expertise, while the government provides a regulatory framework for protecting the interests of the people. The National Highway Development Project (NHDP), undertaken in 1992, which planned to connect the major cities of India in the north, south, east and west, through the highways was an outcome of the PPPs. The NHDP is currently running in its VII phase, December 2008-December 2014, to develop the city road networks. The government of India has also allowed the private companies to build, operate and manage specific toll roads under the model of

Public-Private Partnership. The private companies would earn revenues over a specified period provided such revenues are reasonable to protect the public interest while incentivizing the private companies to perform. The modernization of the Delhi International Airport and the construction of the Bangalore International Airport are also an outcome this partnership.

Economic Infrastructure: a developed industrial base, and well-developed domestic markets and financial institutions

Diversification of the economy and, therefore, protection of the infant industries are the prerequisites for the growth and development of any developing economy. Thus, adherence to privatization and liberalization, without proper protection of the nascent industries, is premature and undermines economic growth. In fact, the developed countries of today themselves took recourse to protectionism before opening up their borders. Britain imposed high tariffs in the 18th and the 19th century to protect its own industries. Other European nations followed the course in the 19th century which actually pushed Britain to find markets for its products in Africa and Asia through imperialism.

At the time of independence, India was essentially an agricultural economy. In an effort to transition from an agricultural to an industrial economy the policy makers at that time adopted policies to protect the infant industries from outside competition, which actually did not bode well for India's economic growth. Under the new era of open market although these protectionist policies were toned down but in order to provide an industrial base to the economy the effort to protect the infant industries continued.

Well-developed financial institutions and developed domestic markets, the other prerequisites for growth and development, are also very essential before privatization and liberalization can be adopted. India had weak financial institutions and domestic markets at the time it embarked upon an open market economy. Once again, India took recourse to gradualism by slowing down the pace of financial liberalization. Financial liberalization means breaking down of the barriers in a manner where capital can flow in and out as and when is considered appropriate by the investors. The lack of fundamental infrastructure which allows this capital to be invested in a rational manner and earn a commensurate return makes this capital vulnerable to flow out just as quickly, with the result that it is disruptive to the domestic economy. Unless a country gets its own economic house in order, it is not prudent to open the domestic floodgates for attracting capital. India, therefore, adopted a policy of limited convertibility. This is precisely the reason why India was saved from the South-East Asian crisis in the late 1990s.

Economic prudence also emphasizes well-functioning markets as being fundamental to economic growth. Markets are developed when economic welfare of the society is achieved through fair allocation of resources and maintenance of just market prices, which in turn is an outcome of equilibrium between the demand and supply, ensured through fair competition (absence of monopolies) and transparency of market information between the buyer and the seller. Due to the absence of developed markets, India espoused a gradual road to privatization and liberalization. There was a necessity to control the creation of monopolies and to ensure access to credible market information. So relevant policies were adopted "to protect free and fair (transparent) markets rather than welfare of any individual participant in the market place" (Mehta 2006, 291).

Social Infrastructure: availability of minimal public services like health and education.

As an extension to its gradualist approach, India also undertook measures to reduce the governmental expenditure. Reducing government expenditure, however, did not mean cutting down spending on essential services like health and education. On the contrary, over the years, government budgets have focused on social programs like education and health and have, thereby, supplemented the social infrastructure needed for economic growth.

Education in India is primarily a government undertaking. In order to enforce the citizen's constitutional right to education, the government has fostered primary, secondary and higher education through various programs. India stands next to China and the USA in terms of higher education. The Indian Institutes of Technology (IIT) and the Indian Institutes of Management (IIM) have been renowned world-wide for their technical education. According to the National Sample Survey Office report number 532, the literacy rate in India has gone up to 68 % in 2007 including the female education rate which is above 50%. This is a substantial growth from 12% and 7-8% respectively at the time of independence in 1947. The sharpest increase in the literacy rate has been observed during the period from 1991 to 2007.

India's health sector operates under the auspices of both the public and private venture. Although government's efforts have not yielded optimum results in terms of achieving health for all, India has experienced impressive growth in major health indicators. Life expectancy in India has gone up from an average of 30 years in 1947 to 58.2 years in 1990 and to almost 70 years in 2009. Under-five mortality rate went down during the reform period from 118.2 per 1,000 new born babies in 1990 to 65.6 in 2009. Likewise, maternal mortality rate has also shown a decline over the years. The private medical sector in India is considered at par with the most sophisticated medical treatments in the developed world.

The Asian Development Bank report (2005) has characterized India as initiating economic reforms "*with a human face*."

In addition, the government has made an attempt to tighten its expenditure by limiting spending on the social programs that were caught up in bureaucratic red-tape and corruption. The government also reduced allocation for the subsidies which were not benefiting the poor, like fertilizers, cooking fuel and kerosene. Inefficient public sector companies were either privatized or shut down. For example, the government of Uttar Pradesh, a north Indian state, closed the operations of Uptron, the public sector electronics company, when its total liabilities climbed up since its inception in 1978.

Reduction in government expenditure and privatization of the inefficient government corporations, however, has also not meant hasty disintegration of the public sector in India. In a developing or underdeveloped nascent economy public sector should fade gradually ensuring proper safety nets for the unemployed in the transition period so that an increased unemployed force does not become a strain on the economy. Therefore, with the adoption of the New Industrial Policy in 1991, the Indian government also established the "National Renewal Fund" as a *"social safety net for labor."* (Aggarwal, 1994) The fund was to provide for the resettlement and protection of the interest of the workers who were rationed as a result of the privatization of the public sector.

In summary, India, by monitoring the flow of capital and goods through regulatory measures and by building the basic infrastructure, a prerequisite to privatization and liberalization, has been able to mitigate the negative impacts of the shock treatment as prescribed by the IFIs.

IV. Africa's Experience and Recommended Policy Options

Most of the African countries at the time of independence and in the immediate years after independence did not have a proper economic infrastructure in terms of a developed industrial base or developed markets and financial institutions. Social and physical infrastructure too was almost non-existent. Political instability was an additional negative. In addition, the post OPEC decade debt crisis, soon after their independence, made the African countries more vulnerable to the IFIs call for economic reforms. India, on the other hand, achieved independence in 1947 and was able to adopt a stable polity during the period from 1947 to 1991 before the reforms were undertaken. After experiencing the ineffectiveness of the socialist principles of economy for decades, India adhered to the market reforms. Due to its stable polity and its long drawn and unsuccessful efforts towards building a strong economy, India was able to make the changes in its economic policy and adopt the reforms gradually and at its own terms.

The newly independent countries of Africa did not have that leverage and, therefore, lost complete control over the flow of capital and goods with the adoption of the Structural Adjustment Policies as mandated by the IFIs. The timing and the speed of the reforms was not right. Reforms swamped in at a time when the infrastructural base was weak or in some cases even absent. Absence of well-functioning political and economic institutions led to the adoption of faulty economic policies which undermined the growth of the physical infrastructure and completely destroyed the social infrastructure.

Therefore, in order to optimize the economic growth with reforms, the time and speed of the economic reforms has to be managed better. The role of the domestic governments becomes critical in this situation. Regulatory measures should be adopted along with the market reforms to monitor the timing and the speed of these reforms. Prior to introducing competition and authorizing market entry by competitive players a basic physical, social and economic infrastructure needs to be established through apt governmental intervention.

In this regard, a success story in Africa has been the southern state of Botswana. At the time of independence (1966), Botswana's economy was at par with the other African states. Over the years, however, Botswana has experienced an impressive economic growth. Economic resurgence of Botswana has been attributed to the usherance of reform efforts at the right time and at the right speed. Adherence to gradualism has ensured control over the flow of the capital and goods. Botswana, like India, undertook liberalization in stages. After independence, Botswana transitioned gradually from a state led to a private sector-led development economy.

The major asset of Botswana's economy has been its diamond resource which was discovered after independence. The government adopted the public-private partnership model to mine its resource. By maintaining its control the government was able to direct the earnings from the diamond industry to investments into the other engines of economic growth – establishment of an infrastructural base and diversification of the economy. During this phase of development, Botswana also monitored the inflow of goods and, thus, protected and facilitated the growth of its manufacturing sector and the service sector.

In addition, the existence of stable political and economic institutions in Botswana attracted private capital flows and also foreign aid from diverse sources. This reduced Botswana's dependence on the IFIs and, therefore, saved the country from the shock therapy treatment. Botswana's economic programs are actually said to have been planned by the outside advisors, independent from the IFIs. (Stiglitz, 2002)

Similarly, the government of Mozambique, after swallowing the bitter pill of the Structural Adjustment and Stabilization Programs sponsored by the IFIs, assumed greater control over its policy-making. Mozambique transitioned from a socialist to a capitalist economy in the early 1990s at the insistence of the IFIs, but very soon realized that the limitations of the mandatory policies imposed by these institutions. The government of Mozambique, thus, adopted and monitored its open economic policies with fair emphasis on poverty alleviation and building of an infrastructural base. The regulatory measures were undertaken along with the market reforms which resulted in the diversification of the economy into service, manufacturing and mining.

In addition, governmental measures, particularly related to poverty alleviation, resulted in an increased per capita income leading to rising domestic consumption. Health and education indicators also showed steady improvements due to increased spending by the government in these sectors. Mozambique's growth is widely regarded as an outcome of "*reform and restructuring at the same time.*" (Dunne, 2006, 43)

A few countries in Africa are said to have experienced growth in terms of GDP after treading the path prescribed by the IFIs, for example, Ghana and Senegal. But the growth in GDP did not translate into increased equality and decreased unemployment. The trickle-down economics, which holds that so long as the economy as a whole grows

(PARPA-I 2006), targeting rural and agricultural development, building infrastructure, investing in health and education and fixing the monetary and fiscal policies. Mozambique is widely considered as the first country in Sub-Saharan Africa to be expected to achieve the millennium development goal of reducing poverty to half by 2015.

Some other African nations like Tanzania and Kenya are actually moving away from the colonial lineage of being one crop economies and are taking control of their economic policies after their negative experience with the "Washington Consensus". Diversification of economy is helping them to expand their export potential. Diversification is also assisting domestic capital formation through development of service industries like tourism. Revenues so earned are being invested in building physical infrastructure and establishing industrial base. This has led to increased flow of the foreign private capital and, therefore, limited dependence on imports which effectively has meant greater control over the flow of capital and goods.

There is hope for Africa's economic resurgence. "*Another world is possible*" (Stiglitz 2005, 4) through a planned, structured and a well laid out road map to economic development instead of a one size fits all approach of the IFIs.

V. Conclusion

Africa began its journey after independence with underdeveloped and weak economies inherited from their colonizers. The debt crisis of the late 1970s and early the 1980s undermined all efforts towards economic recovery in the initial years. In order to fix the debt crisis, the IFIs suggested certain policy options. Adherence to these policies was made a prerequisite for the extension of capital by the IFIs to address the problem of debt. The main purpose of these policies was the marginalization of the state and liberalization of the economy. Reduced role of the state, however, resulted in limited development of the basic infrastructure. In the absence of a physical, social and economic infrastructure, efforts towards liberalization further pushed the economies of the African nations into the back gear.

Like the African nations, India also experienced a down turn in the economic growth, especially after the debt crisis. The IFIs prescribed the same formula for India's economic revival. India, however, adopted the policies of liberalization along with the regulatory role of the state. India's approach to gradualism in adopting a liberal economy minimized the negative impacts of the low levels infrastructural base.

At the dawn of the 21st century, many countries in Africa, like Mozambique, Kenya and Tanzania, are actually seen to be moving away from the IFIs prescription and are taking control of their economies. These countries are experiencing steady economic growth, which bodes well for the revival of other African economies through adoption of an African prescription for Africa's ills.

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