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Structural Adjustment and Lomé IV

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In the 1980s loans and aid to developing countries are very often conditional on programmes of policy reform, or "structural adjustment". With many ACP States already engaged in dialogue with the IMF and World Bank on macroeconomic or sectoral policy changes, structural adjustment impinged unavoidably on the implementation of Lomé III. The EC has moved towards structural adjustment lending and the issue has figured prominently in the current Lomé IV negotiations. But the EC has major reservations about the policy prescriptions of the World Bank and IMF. Its dilemma is how to relate to the Bretton Woods institutions while maintaining its own special relationship with the ACP countries. This issue was considered at a Conference in Brussels in April 1989 co-sponsored by the Overseas Development Institute, London, the Centre for Development Research, Copenhagen and Trócaire, attended by representatives of the EC Commission, the ACP Group, the World Bank and the IMF. This article draws on the background paper prepared for that conference

Structural adjustment lending was initiated by the World Bank in 1979 in response to the serious foreign exchange shortages then affecting many developing countries and a perceived gap in the availability of supporting finance for medium-term supply-side balance of payments programmes. Since then, there has been a rapid increase in the extent of "policy-related" lending by the Bank. The introduction of structural adjustment and enhanced structural adjustment facilities by the IMF, have taken it further in the direction of medium-term programmes and supply side conditionality. In addition, several bilateral aid donors have moved in the same direction, either by developing their own adjustment conditionality (chiefly USAID) or by linking their aid allocations to observance of Fund-Bank conditionality. Regional development banks have also been brought under pressure to link more of their loans in the same way.

The policies associated with such lending are controversial. A strong body of criticism has emerged, particularly associated with UNICEF, that past approaches have neglected human dimensions and the protection of the poorest and urging "Adjustment with a Human Face."[1] An open dispute has emerged between the World Bank[2] and the UN Economic Commission for Africa[3] which this year have produced conflicting assessments of the record on structural adjustment in Sub-Saharan Africa. There are, moreover, differences in approach between even the World Bank and the IMF.

Yet these differences have not to date resulted in major problems of aid coordination because those agencies actively lending in support of structural adjustment share a broad similarity of approach. With the emergence of the EC as a significant source of balance of payments support, the situation has become more complex.

The EC's position is ambivalent: it has asserted both that it will avoid any open conflict with the World Bank and IMF (the international financial institutions or IFIs) and that its approach differs significantly from theirs. If Lomé funds are applied in support of the same policy agenda as those of the IFIs it would add significantly to resources available to underpin the changes and hence tend to increase the pressure on ACP (African, Carribbean and Pacific) states to follow the recommended path, for good or ill. By contrast, if they are applied in support of other policies they would act as a powerful counterweight to the influence of the IFIs. Hence, the policy stance of the EC will affect both the nature of "structural adjustment" and the success of IFI activities.

The EC's shift towards structural adjustment

The involvement of the EC (as opposed to the member states) in balance of payments support will be limited to aid to the 66 signatories of the Lomé Conventions. The period since Lomé I was negotiated has seen a gradual movement of the EC away from an exclusive emphasis on traditional projects as, like the World Bank, it has tried to adjust to changing circumstances in its partners.

The shift in Lomé policy reflects the fact that adjustment lending has increasingly focused on the countries of the ACP, and especially Sub-Saharan Africa. The economic situation of the ACP has continued to deteriorate and this has had a profound impact upon the working of the Conventions. Thirty of the 52 structural adjustment loans (SALs) and 36 of the 70 sectoral adjustment loans (SECALs) approved by the World Bank between 1979 and 1987 (financial years) were to ACP states. By 1988, 18 Sub-Saharan African countries had initiated structural adjustment operations and a further 14 had borrowed to support sectoral reforms.

In these circumstances structural adjustment is an issue that has impinged unavoidably on the implementation of Lomé III and will do so on its successor. This is because Lomé aid has had to take account either implicitly or explicitly of the economic policy changes undertaken by ACP states as part of a SAL. These typically involve decisions on policies that profoundly affect the implementation of traditional aid projects. Either Lomé III and IV projects will have to be tailored around these policies (thus implicitly accepting them) or there will have to be an explicit EC involvement in the SAL debate to safeguard project interests.

The EC Commission has urged the cause of explicit involvement and appears to have had success in persuading first the member states and currently the ACP to accept some moves in this direction. An initial step was taken in December 1987 with the adoption of a "Special Community programme to aid certain highly indebted low-income countries in Sub-Saharan Africa". The next step is being taken in the current Lomé IV negotiations.

A hallmark of Lomé III was sectoral policy dialogue which, for some of its supporters, represented a way out of the problem of relating EC-ACP agreements to those reached with the

IMF/World Bank. It seemed to offer an avenue for the EC to discuss policy issues with the ACP without becoming embroiled in macroeconomic conditionality.

But the EC's subsequent response to the ACP's problems has already led it to broaden its approach by entering the realm of general import support and introduced it to the issue of macroeconomic conditionality. The "special Community programme to aid certain highly indebted low-income countries in Sub-Saharan Africa" has extended the scope of spending. Under it the EC is making available during 1988 and 1989 Ecu 500 million in the form of quick-disbursing aid for import support to the poorest and most debt distressed African states.

The funds are derived from several sources. Ecu 100 million of the programme is made up of funds that are additional to the Lomé III package. Part of this sum, Ecu 40 million, will be drawn from the outstanding balance of unallocated funds from previous Lomé Conventions. The other part, Ecu 60 million, is derived from the partial recycling of repayments by ACP states of special loans and risk capital provided under earlier Conventions.

The remainder comes from a reallocation within Lomé III. Some Ecu 200 million results from the reorientation of the NIPs to increase the funds available for spending under Article 188, which was one of the innovations of Lomé III. This article allows aid to be used for "sectoral development and import programmes" covering such inputs as raw materials, spare parts, fertilisers, insecticides, etc. The final Ecu 200 million comes from the reserve fund that the EC always establishes with part of the aid under each Convention.

Of most significance for the structural adjustment issue is that the new programme has introduced the EC to quasi-balance of payments support. The Ecu 60 million of recycled funds can be used for general import support. And there has been an expansion in the funds for sectoral import programmes already legitimised by Article 188.

The issue of structural adjustment has figured prominently in the current Lomé IV negotiations. It is now very likely that the next Convention will include a special fund for structural adjustment and that aid from the normal country programmes will also be available under Article 188 for additional import support if required.

These initiatives have brought to the fore the relationship between Lomé activities and those of the IFIs. The Commission's communication to the Council proposing the special Africa programme noted explicitly that general import support would be framed taking into account "the adjustment programmes and reforms decided upon in agreement with the World Bank or the IMF".[4] The EC position was formally defined in a Council resolution of 31 May 1988 which inter alia calls for collaboration between the Community institutions and the Bretton Woods organisations.

The criteria for establishing the eligibility of African states to benefit from the programme were established in March 1988. Two of the criteria were uncontroversial but the third relates directly to conditionality. States must have introduced policies that are considered adequate to deal with their economic problems. By implication, an understanding with the IFIs is taken as evidence of such adequacy.

If a state has agreed a SAL with the World Bank then the EC money can be used for a general import programme. If no SAL is in place the EC will form a judgement as to whether policies with respect to a particular sector are adequate. If the judgement is positive, funds will be made available for a sectoral import programme.

Subsequent events suggest that co-ordination will extend to the EC member states both in their bilateral aid programmes and in their actions as members of the IFIs. In May 1989 the Council resolved that in the provision of support for adjustment there should be an attempt to "increase consistency and convergence between the approach of the Commission and the Member States at all levels . . .".[5] To the extent that this effort succeeds it would result in a very large share of adjustment aid being made available under identical, or at least very similar, policy conditions. In 1987 the EC states provided around two-thirds of net ODA disbursements to Sub-Saharan Africa. To a significant extent this aid has been focused on countries undertaking programmes of structural adjustment bearing the seal of approval of the IFIs.[6]

Dilemmas of Conditionality

How will the EC affect key areas of structural adjustment? One set of issues concerns the policy prescriptions that typically are associated with a SAL. Another relates to the volume of resources available for structural adjustment. This section examines critically the existing IFI conventional wisdom on structural adjustment as a prelude to an assessment of the possible impact of the EC.

Four principal dilemmas affect both donors and recipients when designing structural adjustment policies:

- the provisions derived from mainstream theory are sometimes an inappropriate technology; yet the donor community is constrained in making it more appropriate;
- the design of effective economic policies is a highly complex matter and heavily dependent on the specifics of the economy in question; yet there is a strong institutional imperative for off-the-peg solutions and standard recipes;
- the measures contained in conditionality agreements are undermined by their externally-driven nature, and the fact that they are usually undertaken in crisis conditions further reduces the likelihood of successful implementation;
- the adjustment which is the objective of the conditionality is most needed where it is most difficult.

Typical conditions

Despite the wide range of multilateral and bilateral donors imposing policy conditionality and the variety of country circumstances to which it is applied, there is a close similarity between the terms of the various agreements. A survey of major donor and IFI statements on the design of adjustment found a clear consensus.[7] This can be labelled the "new orthodoxy". Its components include:

- increased use of market mechanisms and the forces of competition for resource allocation and co-ordination, as against planning and controls. This finds examples in the substitution of rationing by price for administered rationing, and in the phasing out of consumer subsidies;
- an increased role for the private sector, including privatisation;
- measures to raise domestic saving; these include interest rate reform and the development of financial markets;
- liberalisation of trade and payments;
- maintenance of a realistic exchange rate and other measures to encourage foreign investment;
- correction of other price/incentive distortions (eg improved agricultural producer prices);
- reduction of budget deficits (largely via expenditure cuts) and other demand management measures.

The homogeneity of the credit agreements despite the heterogeneity of the countries being assisted reflects the fact that conditionality has become a key instrument for translating into LDC practice the policy recommendations of Western-based economists. This gives rise to a danger that conditionality may incorporate elements of "inappropriate technology", with the IFIs/donors facing intellectual, political and resource constraints in adapting this into more appropriate forms.[8]

The influence of theory

At the core of the new orthodoxy is a disillusionment with the efficacy of state interventions. In substantial part, this disillusionment is a well founded response to real deficiencies. But the reaction has gone too far partly because there are strong but often unstated value biases in much contemporary policy theory. They adopt, for example, a negative rather than positive view of liberty (the absence of constraints rather than command over the means for self-realisation) and an emphasis on allocative efficiency vis à vis distributional concerns. More generally, there is a distinct affinity between recent trends in policy theory and the "conservative revolution" that has been underway in economic policy in major OECD countries in the 1980s. This similarity includes the reassertion of the superiority of market solutions, and a rejection of Keynesian approaches to economic management.

There are two important points to note concerning these value biases. First, poverty alleviation (and the related positive view of liberty) is a more central issue in LDCs than in the OECD. Second, there is no clear parallel in many LDCs to the shift in public attitudes and electoral results that has heralded the conservative revolution in the OECD. These considerations suggest that there will sometimes be a mismatch in terms of values and objectives between OECD-based theory and LDC views.

Moreover, the foundations of much policy theory are decidedly shaky. Mainstream economics is divided against itself even more than usual, especially in the realm of macro-economics. It is excessively preoccupied with the efficiency with which resources are allocated at a given time to the near-exclusion of other considerations. The consequence is a neglect of dynamics, with growth theory having become a backwater, with little relevance to LDCs.

The role of the state

Theoretical attempts were made in the early 1980s to "prove" the state to be inevitably impotent in macro-economic management or to substitute fixed monetary rules for discretionary actions but these were unsuccessful. Although there has since been a partial rehabilitation of the state, the danger is that conditionality still reflects too strongly the over-reaction. One can easily identify examples of the biases that result:

- When donors urge rapid liberalisation of financial systems, without giving enough thought to the market imperfections which are likely to result, and their adverse effects .
- Pressure for privatisation with insufficient attention to the competitiveness of private market alternatives, and the rival merits of rehabilitating public enterprises.
- Neglect of environmental damage, which is a classic example of markets not producing socially desirable outcomes.

Practical limits to conditionality

Biases in theory are not the only limitations on the efficacy of policy conditionality. Those who would make credit conditional upon the implementation of policies that would not otherwise have been adopted face a set of practical obstacles.

The first relates to the externally-driven nature of adjustment. Although it remains ill-defined, the meaning of "structural adjustment" has moved on from the simple strengthening of a state's balance of payments to the current World Bank definition of reforms of policies and institutions. This comes perilously close to saying that structural adjustment consists of those policy changes of which the donor community approves. The EC's rules for the Special Africa Programme are no exception. This ensures that adjustment will continue to be externally driven.

A related problem arises from the fact that adjustment programmes are often associated with crisis. It is in a crisis that the decisions are most likely to be taken. But policy changes are most likely to be adhered to when they emerge organically, gradually through the existing political and bureaucratic structures. Since conditionality-related reforms are not likely to pass this test they are likely to be fragile.

A final dilemma is that adjustment is most needed where it is most difficult. The capacity to adjust is a rising function of development (at least up to a point). It is particularly weak in the least developed. These considerations help to explain the weaker adjustment experiences of Sub-Saharan Africa and the difficulties that the IFIs have experienced. The problems are exacerbated because the creditor countries are reluctant to provide the financial support necessary for their approved policies to succeed. This and other unfavourable factors in the world economic environment are undermining LDC adjustment efforts. Because of their disadvantages the least developed are in particular need of longer-term programmes and more supporting resources.

Evidence of success

The controversial nature of the policies associated with structural adjustment in the ACP, and especially Africa, is exacerbated because of the paucity of evidence on the effectiveness of past efforts. The furore that has surrounded the World Bank's report earlier this year on *Africa's Adjustment and Growth in the 1980s* underlines the problem.[9] To an extent the dispute between the World Bank and critics such as the UN Economic Commission for Africa is the result of differences over the most appropriate methodology and the priority to be accorded to various indicators of economic health. Such differences are made more difficult to resolve at present because too short a period of time has elapsed to identify clearly differences in economic performance between "reformers" and "non-reformers" given the many extraneous factors affecting both sets of states, the wide diversity within each group, and the limited resources actually applied in support of African structural adjustment.[10]

The most that can be stated is that the recent economic performance of Sub-Saharan Africa is a cause for guarded optimism rather than pessimism, and that it provides evidence that tends to support the arguments in favour of adjustment conditionality rather than the reverse. But what it does not do is to give any reason for modifying the view that the remedies based on Northern economic experience should be applied only with great caution and modesty.

The potential impact of the EC

The Commission characterises the difference between its own style and that of the IFIs in terms of pragmatism versus text book theory. It argues that although some of the policies advanced by the IFIs may be correct according to the current conventional theoretical wisdom they may not work in practice either because LDC governments do not give them wholehearted support or because of fundamental design flaws due to the different circumstances found in LDCs. With its lengthy experience of the ACP and the fundamentally different political relationship that exists between the Lomé partners compared to the IFIs and their debtors, the Commission claims that it can bring to structural adjustment a missing element of political and economic realism.

Attitudes towards the IFI conventional wisdom

Underlying such disagreements on policy details is a significant difference of approach between the EC and the IFIs. The EC will tend to be more tolerant than the IFIs towards a dirigiste economic style in its ACP partners. The dominant economic philosophy within the Lomé section of the EC Commission is influenced strongly by the French intellectual tradition. Moreover, since the Lomé Convention is a legal text that accords the ACP Governments an unusually high degree of control over the use of aid funds, the extent to which the EC can encourage privatisation (even if it wishes so to do) is limited. Because of these fundamental differences between the EC and the IFIs, the disagreements on detail may be more difficult to overcome than might be expected.

Stated in this way the Commission's critique has strong resonances with the analysis above, but it is far from clear how its involvement in structural adjustment would operate in practice. The Commission has acknowledged the need not to present the ACP states with two conflicting sets of policy recommendations. But this implies that those agencies involved in structural adjustment must either agree *ex ante* a compromise package of conditionality or agree *ex post* to operate their separate programmes in such a way that they do not interfere with each other. It is inherent in the idea of compromise that there is give and take on both sides. Hence, co-ordination implies that to a certain degree the Commission will alter its approach to fit in with the requirements of the IFIs as well as the reverse.

The Commission's response to such arguments is that it does not envisage having its own policy package to impose upon the ACP. Rather, it would tend to support ACP governments when they seek to amend the proposals of the IFIs to make them more politically acceptable and development oriented. The question mark that must hang over this position concerns the extent to which ACP states are able to articulate a coherent rejoinder to the conditionality proposed by the IFIs. Without such an autonomous policy package to relate to, the Commission will be left with the choice of either accepting the IFI approach or becoming associated with ACP country attempts to dilute the IFI programmes, or devising its own.

Not the least of the obstacles in the way of the latter alternative is the absence of any convincing and systematic alternative to IFI orthodoxy. Neo-structuralist attempts are most relevant to the economic conditions more common in Latin America and little in evidence in the ACP. They are not, in any case, as radically different as sometimes presented. An "African Alternative Framework" recently launched by the UN Economic Commission for Africa similarly does not meet the need. It appears to be predicated on political changes within Africa and improvements in the global economic environment which are unlikely to materialise, and is very ambivalent about the efficiency of government interventions and the desirability of macroeconomic balance.[11] Also, the experiences of countries which have attempted to devise their own alternative approaches have been singularly discouraging.

There exists already a certain amount of evidence to judge the extent to which the EC and ACP can present a coherent alternative to IFI prescriptions. There have been a number of instances in which policy changes sought by the IFIs as part of a SAL have conflicted with the requirements of projects funded under the Lomé Convention. The Commission claims that it has been able to influence initial IFI prescriptions to modify text book remedies in the light of practical realities the better to relate to recipient government priorities and development interests. These examples are drawn largely from the food sector, and in particular from Cameroon, Niger, Senegal and Mali.

It is no coincidence that the examples cited of successful co-ordination all involve the food sector. This is both the area of focus for Lomé III activities in many ACP states and also the sector in which the staff administering the Lome Convention have the greatest expertise. A shift into general import support and macroeconomic dialogue would require new skills. A start has already been made within the Commission on providing some training and orientation to the new requirements. But these changes hardly seem adequate in themselves to prepare the Lomé Convention bureaucracy for a significant shift in emphasis on aid policy.

Early evidence from the special Africa programme suggests that on issues outside of the food sector the EC has tended to follow the lead of the IFIs. Parfitt cites examples in Tanzania and Malawi where the EC appears to have exhibited anything but an independent position.[12]

Can Lomé add critical mass?

It is widely accepted that a major failing of past structural adjustment is that it has been attempted with inadequate funds and over too short a time horizon. Bearing in mind the IFIs desire for greater co-financing of adjustment programmes, would the application of Lomé aid funds to the process make a significant contribution to easing these constraints? There is an opportunity cost in utilising Lomé aid funds for structural adjustment rather than in other ways. The assessment of whether this is a cost worth bearing must take account of the value to ACP states of linking Lomé and structural adjustment. This, in turn, is influenced by the extent to which Lomé funds could have an impact out of proportion to their own size by enabling the structural adjustment exercise to reach critical mass.

A prior question is whether in fact the Lomé funds would even be additional or whether they would be recycled back to the IFIs. The problem arises because the IFIs are preferred lenders and are receiving an increasing share of the actual debt service payments being made by ACP states. Since balance of payments support is highly fungible Lomé aid might effectively be used to repay past IMF and World Bank credits. It is hard to see how this would be avoided in situations of extreme foreign exchange scarcity unless specific administrative measures were introduced to keep funds separate.

Assuming that this problem is avoided, the grants that the EC will provide for quasi-balance of payments support could be quite large in relation to World Bank structural and sectoral adjustment lending to the ACP. Any estimate of the relative size of Lomé aid funds must be speculative because both the size of the Lomé IV aid budget and the proportion to be available for import support are still under negotiation. However, an impression can be obtained by using the aid figures for Lomé III and assuming alternative proportions available for structural adjustment.

The broad picture is clear. Lomé III aid could add substantially to the funds available for structural adjustment in many of the ACP. For 16 of the 29 ACP states that have received SALs/SECALs between 1979 and 1987 the grant element of their Lomé III national indicative programmes (NIPs) exceeded 100 per cent of their World Bank credits. Even if only 40 per cent of their NIPs had been applied to structural adjustment (in line with the World Bank's limit for IDA), it would have added 75 per cent or more to the World Bank's funds in six cases, and 50 per cent or more in a further six.

On closer examination these figures suggest other facets of the EC's involvement in structural adjustment. In almost all of the cases in which the Lomé III NIP represented a high proportion of SALs/SECALs World Bank loans were relatively few. In fifteen of the sixteen ACP states in which NIP grants were equivalent to 100 per cent or more of World Bank loans, there were no more than two SALs/SECALs. By contrast, in nine of the ten ACP receiving more than two SALs/SECALs the NIP was very small in relation to their World Bank loans.

There are, of course, several reasons why a state should have received only a small number of SALs/SECALs, but one explanation is that it failed to reach agreement with the IFIs on policy conditionality. To the extent that this explanation applies to the ACP it suggests that Lomé aid for structural adjustment would be a significant addition mainly in states that are in policy dispute with the IFIs.

This must colour thinking on both the positive and negative potential features of donor co-ordination in this area, i.e. achieving critical mass and presenting a monolithic, insufficiently flexible front to the ACP. The lesson from the recent past seems to be that Lomé funds could make a modest step towards critical mass in those states that satisfy IFI conditions. On the past record, however, it seems more likely to provide an alternative to World Bank funds unless it begins to interpret "policy adequacy" as requiring agreement with the IFIs. Hence the impact will be felt less in terms of achieving critical mass than in terms of its potential for influencing IFI positions.

Conclusions

There are at least three major, difficult issues for Lomé IV. First, how should the EC address the practical and theoretical deficiencies in IFI structural adjustment lending? Second, what should be the position with respect to those ACP states that have not reached agreement with the IFIs? Third, how should the total aid package be distributed among states which have and have not reached an understanding with the IFIs.

The link with the IFIs

The notion of a comprehensive "EC conditionality" does not appear to be a practical option. It is ruled out by the nonavailability of any convincing ready-made alternative, by the non-existence of the necessary EC cadres, by the existence of at least some evidence that the approach of the IFIs is having beneficial effects, and by the desirability of additional resources with which to co-finance IFI programmes.

Yet it is clearly desirable for the EC to make some input to the design of conditionality. The EC should seek to exert influence on the IFIs to correct the weaknesses identified above in order to strengthen the adjustment process and thereby to raise aid effectiveness.

This implies that the EC must be willing at least to invest sufficient additional resources in its own policy-analysis capabilities to be able to monitor and evaluate the policies of the IFIs, and to contribute on approximately equal terms to discussions with IFIs on aspects of conditionality, both generally and as it relates to specific ACP countries. This is likely to involve a much more substantial investment in new skills than appears to be envisaged within the Commission. Without this investment the good intentions are likely to remain untranslated into practice.

It also implies that the modalities must exist through which its influence can be brought to bear on the IFIs - and here we wish explicitly to include the IMF - at both these levels. Some such devices already exist, e.g. informal consultations on early drafts of Fund-Bank Policy Framework Papers, meetings in Washington between Commission and member state officials, and attachments to Bank country missions. But we are not convinced that these yet meet the need. This matter needs to be taken up in the IFIs' policy-making bodies.

Allocation of Aid

An implication of a full-fledged shift into structural adjustment is that the EC would have to be willing to refuse credits to countries which did not negotiate an adjustment programme with the IFIs. A policy of supporting IFI adjustment programmes would not be very meaningful without this negative sanction.

But this is clearly an extremely difficult area for the EC. It would make a clear break with the philosophy and practice of the Lomé Convention if aid were to be withheld completely or in large part from ACP states that were at loggerheads with the IFIs. For this reason, it is unlikely to happen in a formal way. But just as structural adjustment affects traditional aid so the reverse is true. Because of fungibility, "sectoral" import support under

Lomé and even projects could be regarded with some justification by the IFIs as undermining their attempts to persuade governments to accept reform.

The EC will have to steer a delicate balance between promoting improvements in the processes of policy dialogue so as to increase the sense of programme "ownership" by LDC governments, on the one hand, and the temptation "to take sides" in favour of those governments in disputes with IFIs. The logic of its position (as a representative of a major group of countries within the IFIs) is that the Commission will ultimately identify with the collective donor position whatever its initial intentions.

This is undoubtedly a consideration of importance for the ACP in the current negotiations. The scope of the EC to link aid to negotiations with the IFIs will be influenced by the share of the Lomé IV package that is allocated at the start of the Convention to each state under its national indicative programme. As the "Special Programme for Africa" illustrated, the Commission has some discretion on the use to which funds outside of the NIPs are put. Some Ecu 240 million of the Special Programme has been derived from unspent balances from past Conventions and the reserve for Lomé III. The greater the size of this reserve or of a "special structural adjustment fund" in Lomé IV, the greater will be the scope to apply negative pressure on those ACP states that are in disagreement with the IFIs by withholding access to a part of the aid to which they would otherwise have been entitled.

Footnotes

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4. EC, COM (87) 418 final, 11 September 1987, para 14; Brussels

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7. Killick, Tony, "Unsettled Questions about Adjustment with Growth" in UNCTAD, *International Monetary and Financial Issues for the Developing Countries,* 1987, United Nations, New York

8. This argument and the following paragraphs are based on Killick Tony, *A Reaction Too Far: Economic Theory and the Role of the State in Developing Countries,* Overseas Development Institute, London 1989

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