Global Economic Crisis and Socio-Economic Vulnerability: Historical Experience and Lessons from the "Lost Decade" for Africa in the 1980s

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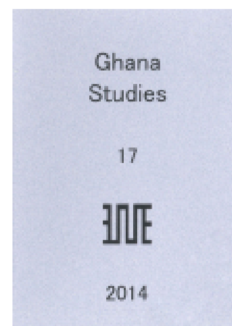

GLOBAL ECONOMIC CRISIS AND SOCIO-ECONOMIC VULNERABILITY: HISTORICAL EXPERIENCE AND LESSONS FROM THE "LOST DECADE" FOR AFRICA IN THE 1980s

Prince Osei-Wusu Adjei, Peter Ohene Kyei, Kwadwo Afriyie

Introduction

Records of development history indicate that socio-economic crises diverse in intensity, nature, dimensions and impact have been part of human existence through time. The economic crisis in Peru in the 1989/90, the 1998 Asian financial crises, Mexico's "Tequila" financial crisis in 1994/5 etcetera, are only the most recent economic recessions which had adverse socio-economic impacts on the quality of life of the affected regions' citizens, particularly children. Today, when the attention of world leaders is expected to be on programmes and strategies to actualize the Millennium Development Goals (MDG's) almost a decade after the Millennium Declaration in September 2000, the world is trapped by heinous and debilitating food and financial crises–global in nature and devastating in impact. Financial slow-downs affecting monetary expansion among both private and public enterprises, food shortages, and rising food and fuel prices have been key characteristics of the crises impacting the world economy today. In Africa, there have been threats of closure of businesses and economic retrenchment in Zambia and Botswana. However, this situation is no new experience in the socio-economic history of Africa, particularly south of the Sahara. A precursor to the global financial crisis is the

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"lost decade" for Africa in the 1980s. A critical sub-Saharan African situation which necessitated the adoption of the World Bank and International Monetary Fund's Structural Adjustment Programme (SAP) to save African economies from their utterly bad shape. Many African countries gained independence with high expectations for rapid economic growth, poverty reduction and improvement in the living conditions of masses of their citizenry. Not long after independence, however, several of these countries were hard-hit and engulfed in a serious socio-economic downturn. In the 1980s specifically, Africa south of the Sahara experienced a serious economic crisis unprecedented in the region. Signs of deterioration became visible with manifold manifestations in the early 1970s, aggravating in the 1980s. A review of the nature, dimensions and impact of the African crises of the 1980s on the socio-economic lives of vulnerable groups is relevant for policy lessons to contain the food, fuel and financial crises of today.

Nature and Dimensions of the 1980s Crises in Sub-Saharan Africa

By 1965, several African countries had entered independence with high expectations. Having endured and struggled out of political and economic domination under colonial rule, most people believed that once Africa was for Africans, and that development was home grown, rapid progress would accompany independence and raise the incomes of the citizenry and improve the welfare of the weak and vulnerable in deprived societies. Indeed, in the early years several of these countries successfully expanded their basic infrastructure and social services. Much effort was made to consolidate the fragile new nation-states.[1] After an initial period of growth, however, most African economies faltered and went into decline. The economy of sub- Saharan Africa

[1] Ajayi, J. F., *Africa in the Nineteenth Century Until the 1880s* (Paris: UNESCO, 1989), 23-30.

particularly was hit by a series of devastating shocks multidimensional in nature. Neither the strong will of these countries to ensure rapid development nor their ideological beliefs could lead them to their cherished dream. Countries of the sub-Saharan African region found themselves in an economic dilemma whose contrasting effects were ever more explosive.

Rapid urbanization and mass unemployment, agricultural stagnation, food crises and massive population increases estimated at an annual growth rate of 3.1 percent,[2] soil deterioration, famines and massive imports of food products, human right abuses and external dependency were some of the manifestations of the sub-Saharan economic situation in the 1980s.[3] On the socio-political scene, democracies gave way to tyrannies, single parties of national construction succumbed to military dictatorship, and the education sector started to show its deficiencies with its untold impact on children of school-going age[4]. The results were catastrophic: sub-Saharan Africa had the highest concentration of very low per capita income (an average of about $293 in 1991), and productivity per head was almost stagnant for a long time and even declined in many countries. Out-village migration, a recurrent phenomenon, was not the result of a relative surplus population created by some agricultural progress as predicted by theory, but a desperate attempt by whole population to escape the famines resulting from the collapse of rural economies. According to the World Bank in1981[5], Africa's food production index fell from 100 to 91 during the 1970s and to 89 in 1990. Africa south of the Sahara thus became the only region in the world where per

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[2] World Bank, *Ghana Country Study Report No. 5716 - GH*, September, 1985.
[3] Chappell, D. L., "The Lost Decade of Civil Rights," *Historically Speaking* 10:2 (2009).
[4] Kyei, P.K. "Structural Adjustment Programme: Ghana's Experience" (Technical Paper Presented at the Kwame Nkrumah University of Science and Technology, Kumasi, Ghana, 1998).
[5] World Bank, *Ghana Country Study Report*, 1981,15-29.

capita food production fell during the 1970s and 1980s.[6] Furthermore food aid in cereals rose from 796,000 metric tons in 1974/75 to 2,087,000 metric tons during the same period, signifying the deteriorating nature of food sufficiency in the region.

The decline in production during the 1980s was not confined to agriculture only. Mining output in 1982 was 62% of the 1979 level. In many countries, industries were operating at 20 to 40 percent of capacity, largely because of the extreme scarcity of imported parts and components. The lack of real output growth during the "lost decade for Africa" resulted in a steady decline in standards of living. Per capita consumption in the early 1980s was lower than it was in 1970. Africa's endemic poverty was evident in its high infant mortality rate of 107 in 1990 compared to 34 in East Asia, 93 in South Asia and 48 in Latin America in the same period; low life expectancy and widespread diseases were only some health problems affecting children[7].

For example, half of all the rural children born in Gambia died by age five during the crisis period, and a significant number of Africans had no safe drinking water and many remained vulnerable to water-borne diseases.

In addition to wars, draught conditions were prevalent through the 1970s and 1980s. The region experienced a more than five-fold increase in the price of grain, a seven fold increase in the price of oil, high inflation as a result of the recession in advanced countries, highly volatile interest and exchange rates, and an unprecedented collapse in export commodity prices. The collapse in export prices combined with actual reduction in production quantities significantly reduced the export earnings of several sub-Saharan African countries in the 1980s. Most of the economies

[6] Kyei, "Ghana's Experience."
[7] Shillington, K. *Encyclopedia of African History, Vol. 1* (New York: Taylor and Francis Group, 2005).

also suffered from weak institutions, overblown bureaucracies and bad governance which resulted in concentrating budgets on deficit financing and external borrowing to meet consumption; consequently many countries were saddled with huge unserviceable debts, estimated at US $172 billion in December 1993. Almost all countries in the region experienced persistent internal and external imbalances caused by deteriorating terms of trade, rising oil prices, high rates of inflation, high rates of unemployment and poor domestic policies among others.[8] As far back as the 1970s, many African countries began to put in place stabilization programmes, yet the problem persisted, and from 1980 on, adjustment programmes were considered when it became clear that conventional development strategies adopted in the 1960s and 1970s had not yielded the anticipated trickling down effect to improve the quality of life of the citizenry of the independent African countries, particularly children and other vulnerable groups in rural areas.[9] Thus the crises of sub-Sahara African economies in the 1980s had several dimensions:

- Stagnating or negative growth, balance of payment and fiscal problems, as well as sluggish price performances coupled with rapid rates of population increase.
- The social dimensions of the crises included increasing unemployment, decreasing expenditure on social services and education, worsening nutrition and mounting high infant mortality.

Sub-Saharan African countries were confronted with the difficult task of either accepting the World Bank/IMF adjustment package with its "neck breaking" conditionalities in order to benefit from external financial assistance, or rejecting it and remaining under severe financial insolvency.

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[8] Kyei, "Ghana's Experience."

[9] Frimpong-Ansah, J. A. *The Vampire State in Africa: Political Economy of Declining Ghana* (London James Currey Publishers, 1991).

The "Lost Decade" for Africa: Ghana's Experience

Ghana achieved political independence in March 1957, ahead of most sub-Saharan African countries. At that time, the country enjoyed a relative degree of economic prosperity compared with other countries in the region that shared the same colonial economic structure. There was the general feeling that the country had the basis for rapid development. Then producing one-third of the world's output of cocoa, and backed by considerable natural resources and a core of trained manpower to guide economic growth, the country's future seemed bright.[10] The country had foreign reserves amounting to $500 million (or more than three years imports) and a total national debt of only $50 million, much of which was internal. Its population, which stood at 6 million, enjoyed a comfortable per capita income of $130, which easily made it a middle income country in 1957.[11] However, within six to seven years after independence, evidence of economic malfunctioning had already started manifesting itself in several ways and, by 1983, when the country decided to embark on an adjustment programme, the severity of the economic crises was incomparable in dimension to that in any other country with similar development experiences (Refer to Table 1).

A high population growth rate averaging 3.3 percent had combined with the stagnation in the economy to create severe unemployment problems in the country on the eve of the "lost decade," and the government of the day, obsessed by socialist theories and the "remarkable" successes of the Soviet Union and other Eastern European countries, decided to participate directly in the economy through the setting up of state enterprises in agricultural, industrial, trade and transport sectors. The

[10] Hutchful, E."IMF Adjustment Policies in Ghana since 1966," *African Development* 10:1/2 (1985).

[11] Panford, K. "Ghana: A decade of IMF/ World Bank's Policies of Adjustment-1985-1995,"*Scandinavian Journal of Development Alternatives and Area Studies* 16:2 (1997).

government embarked on rapid and massive industrialization using capital intensive methods of production.[12] In 1964 alone, 187 manufacturing and fifteen mining and quarrying industries were set up, many of which were located in urban areas with anticipated trickle down effects.

The gross disregard for economic norms and reasoning in undertaking these massive investments became manifest when, by the end of 1964, some thirty two public enterprises representing an investment of $110 million had accumulated losses of about $38 million. To make matters worse, the large scale mechanized state agricultural projects established to supply raw materials to the agro-based industries became a flop due mainly to management deficiencies and the unsuitability of machines to local conditions. Many of these industries had to rely on imported raw materials to operate, causing a considerable stress on the country's reserves and consequently plunging the country into a debt that would reach $500 million by 1965 (from a negligible amount in 1960). Thus, foreign reserves also dwindled from $450 million in 1960 to $50 million in 1965.[13] Deterioration in physical infrastructure, especially transport and port facilities, drastically reduced the country's ability to transport export commodities from the hinterland to the ports. Thus, even before the 1966 military coup which overthrew the government of the First Republic, the economic doom of the country had already been spelt.

As the economic problems spread and deepened, Ghanaians with marketable skills, including medical doctors, lawyers, engineers, nurses, teachers and administrators, left the country for greener pastures abroad. Their destinations included the developed countries, the oil-rich states of West Asia, and other African countries. Deterioration

[12] Gyima-Boadi, E."Economic Recovery and Politics in PNDC's Ghana," *Journal of Commonwealth Politics* 27:3 (1990).
[13] Martins, M., "Negotiating Adjustment and External Finance: Ghana and the International Community, 1982-1989," in Donald Rothchild, ed., *Ghana: The Political Economy of Structure Adjustment* (Boulder: Lynne Rienner, 1991).

Table 1: Key Indicators of the Pre-Adjustment Period

Indicators	***1970***	***1975***	***1980***	***1983***
Real GDP per capita (1975=100)	114.00	100.00	92.00	73.00
Balance of Payments (Current Accounts US $m)	81.00	51.00	55.00	230.00
Debt Servicing (% of Exports)	5.40	5.00	7.70	20.90
Government Expenditure as % of GDP	--	27.00	18.00	8.00
Development Expenditure as % of Total Expenditure	--	31.00	18.00	8.00
Government Surplus/Deficit as % of GDP	0.40	16.00	11.00	3.00
Cocoa Production (‘000 ton)	413.00	396.00	258.00	159.00
Real Cocoa Production Price (1972 = 100)	106.00	90.00	45.00	34.00
Official Exchange Rate (cedis per US$)	1.02	1.15	2.75	3.45
Ratio of Parallel/Official Rates	1.60	1.70	5.80	22.20
Monetary Growth (% p.a in M2)	10.00	39.00	34.00	38.00
Rate of Inflation (% p.a)	9.00	30.00	50.00	122.00
Real Minimum Wage (1977= 00)	183.00	225.00	44.00	42.00
Tax, GDP Ratio	--	13.30	--	3.50

Source: (Loxley, 1988: World Bank Ghana Country Study, 1984, p. 21 cited in Kyei, 1998)

Deterioration in public services, including education and health care, was the direct result of this state of affairs. It was within this period that Ghana made a transition from being a middle income country to a low income one (as GDP per capita persistently declined), a position it still maintains even after almost three decades of implementing a belt-tightening structural adjustment programme.

In the face of all these difficulties resulting from the vicious cycle of policy mistakes, the country was further hit by a series of external shocks which brought the economy near its nadir in the early 1980s. The production problems in the domestic food sector were compounded by a serious drought between 1982 and 1984, which meant the purchase of large additional food on commercial basis. The drought affected the production of hydro-electric power, which further reduced utilization in industry to 20 to 25 percent of capacity by the late 1983. Fires reduced both cocoa and timber exports through widespread destruction of trees and bushes. The 1979/80 oil price rise further intensified Ghana's economic decline. To make a critical situation worse, in 1983 about one million expatriate Ghanaians were expelled from Nigeria who had to be absorbed into the already distressed economy.[14] By 1982, therefore, Ghana's GDP was no larger than it had been in 1970 and income per head was 27 percent lower. In addition:

- Real expenditure on health and education were a mere 23 and 39 percent of their levels in 1975
- Government revenue had fallen to a mere 5.5 percent of GDP, compared to 15.5 percent in 1972
- The real value of public sector salaries fell so low that employees could not afford to spend time at their official jobs
- Inflation ranged between 22 percent and 117 percent from 1975 to 1982, averaging about 65 percent per annum

[14]Gyima-Boadi, "Economic Recovery."

- Commercial banks’ lending rate was only 19 percent, making the real cost of borrowing heavily negative

It was against this backdrop that the military administration of the Provisional National Defense Council (PNDC) decided to go in for the much detested and previously rejected Structural Adjustment Programme in order to benefit from external financial and technical assistance to rebuild the economy.

Policy Directions and Economic Impact

In spite of the initial divergence of opinions of the World Bank and IMF on the one hand and African governments on the other, several African countries in the 1980s reluctantly adopted the policy and programme directions under the SAP in order to benefit from adjustment loans to get out of the economic slow-down of the sub-region.[15]According to Sveedberg, the Structural Adjustment Programme was accepted by some African governments as a necessary evil rather than a preferred strategy. Ghana was one of the early disciples of the programme. The military administration of the Provisional National Defense Council (PNDC) government, despite all its socialist rhetoric, decided to adopt the Structural Adjustment Programme prescription of the Breton Woods Institutions. Beginning in 1983 Ghana implemented most of the Structural Adjustment policies and programmes to the extent that it earned the title of the “Star Pupil of the World Bank.”

The Economic Recovery Programme (ERP) and the SAP had the objective of arresting the long-term decline in production, controlling inflation, rehabilitating social and productive infrastructure, and restoring overseas confidence in the economy to ensure sustainable economic growth and improve public sector

[15]Mohs, R. M. “The Structural Adjustment Programme in Sub-Saharan Africa,” *Intereconomies* 23:1 (1988), 25-28.

management in several different directions. During the stabilization phase of 1983 to 1986, some of the policies which received considerable attention included diversification of exports, liberalization of goods and services, exchange rate and trade policy reforms, financial sector reform, interest and credit policy reform, fiscal policy and state enterprise policy reform programmes as well as education, health sector and agricultural policy reform programmes[16].

The diverse policy reforms implemented in the context of the stabilization and adjustment programme since 1983 were meant to reverse a desperate situation of socio-economic malaise of the previous decade and put the country along the path of sustainable growth and development. As part of government's fiscal policy reform programme under the SAP, the tax net was widened to cover a lot more people and traders, especially in the informal sector, and this made an appreciable impact on government's revenue. Data from World Bank sources show a remarkable rise in government revenues since 1984. Government revenue as percentage of GDP rose from 5.3 percent in 1983 to 13 percent in 1986 with further increases in the subsequent years. By 1991 it had reached 14.4 percent.

Ghana's inflation rate for the period of SAP was very high despite the stringent monetary and fiscal policies that had been put in place. Available statistics suggest that inflation rate in Ghana fell rapidly from its 1983 drought-inspired 123 percent to 10 percent in 1985. However, after that point inflation again began to rise. In 1986 the inflation rate rose to 30 percent, reached 40 percent in mid-1987, 38 percent in 1990, and 27.4 percent in 1993. The average annual rate of growth from 1984 to 1993 was 26.4 percent. By December 1995, it had shot to a peak of 70.8 percent before reducing to 64.4 in February 1996.The levels of investment during the adjustment period were about the same as what the

[16]Panford, "Policies of Adjustment."

country achieved in the 1970s, but still lower than the average for other low income countries. A World Bank survey in 1989, for instance, identified several factors as contributing to the abysmally low level of private sector investment.[17]

Education sector policies were designed to stem the high drop-out rate at the primary school level; repair and replace equipment, textbooks, chemical and supplies which were in short supply in the secondary and tertiary levels; and improve the salaries of teachers which had fallen drastically in real terms over the years, leading to mass exodus of trained teachers from the educational sector. The Ministry of Health was also expected to meet 15 percent of its total recurrent expenditure from cost recovery in 1986, 1987 and 1988. The underlying idea was that the essential drugs whose import the credit would finance should not be distributed free but that a system of user charge should form a spring board to create a permanent revolving fund that would be available to replenish supplies of drugs and equipment without constant recourse to public budget. This arrangement was termed the "cash-and-carry" system. Prior to this credit, the government raised hospital bed fees from 7.50 cedis to 40 cedis for adults and from 5 cedis to 20 cedis for children, while general consultation fees were increased from 5 cedis to 75 cedis as part of the cost recovery policy.[18] At the domestic front, there were no significant liberalization efforts in the agricultural sector, as the food-crop market in Ghana was effectively free. Policy reform rather sought to encourage the production of strategic staples and industrial crops such as maize, rice, oil palm, cotton and tobacco by raising minimum guaranteed prices. However, by 1990, all subsidies on imported and domestic agricultural inputs had been removed as a matter of policy and the

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[17]Boafo-Arthur, K. "Structural Adjustment Programs in Ghana: Interrogating NDC's Implementation," *West Africa Review* 1:1 (1999) (online: http://www.africaknowledgeproject.org/index.php/war/article/viewArticle/396). Accessed 13 May 2014

[18]Cedis given in 1980-value equivalent.

cocoa industry went through a retrenchment exercise from 1985 to 1989, which was intended to reduce its personnel from 92,000 in 1983 to 32,000.[19]

The massive retrenchment exercise that accompanied the implementation of policy directions under the SAP, especially in the agricultural and industrial sectors, was intended to trim the number of personnel and use the savings from the exercise to boost the wages of the remaining ones. However, this could not materialize because the savings made from the retrenchment exercise was too little to make any recognizable impact on the wages of the retained employees. Food crop producers, for instance, suffered from increased competition from imported food, increase in production costs due to the removal of subsidies on fertilizer and other agro-chemicals and the failure of food prices to match non-food prices.[20] Thus food crop farmers, together with small-scale traders and artisans, experienced reduced income and marginalization mainly because of the proliferation of many of the retrenched workers from the public service into this area of activity which requires less capital and fewer skills. It must be said that all these elaborate policies were implemented for justifiable reasons—to reverse the deterioration in Ghana's economy and set it on the path to sustainable growth.

Socio-Economic Cost of SAP on Vulnerable Groups

As an economic stabilization package, SAP's foremost objective of arresting the decline in the economy was quite successful. Financial discipline was restored and monetary expansion was restrained. It saved the economy from its near bankrupt position, by reversing the negative growth rates of the 1970s and early 1980s. Since then, GDP growth has averaged

[19]Kyei, "Ghana's Experience."

[20] Addison, T."Review of: C. Harvey, ed., *Constraints on the Success of Structural Adjustment Programme in Africa*," *Journal of Development Studies* 33:6 (1997).

about 5 percent per annum, with the industrial and service sectors performing much better than the agricultural sector. This growth rate was, however, not enough to get Ghana out of the poverty shackles, particularly for rural care-givers and children, because of the health, education, agricultural sector reforms, together with the massive retrenchment exercise which rendered a greater percentage of heads of household unemployed and vulnerable without any "human face."[21]

Notwithstanding the macro economic successes of the adjustment policy directions, there were major areas where the policies of the SAP failed to yield any of the anticipated results. The value of the cedi fell consistently at a neck breaking speed since the currency auction policy started in 1987. In all, the value of the cedi depreciated from ¢2.75 to US$1 to over ¢900 to US$1 from mid-1983 to the end of 1993, reaching ¢1500 in 1996. The persistent depreciation of the cedi was one of the causes of the high rate of inflation in the country during the adjustment period. Instability in domestic currency also deterred foreign investors (Jonah, 1989).

Micro level effects manifested in different ways among the several categories of vulnerable people. Small-scale traders, food crop farmers in rural areas, and artisans suffered much reduced incomes due to the proliferation of rehires to the sector as well as the introduction of taxes. The significant unemployed Ghanaians, consisting of rehires who could not find alternative jobs, workers from divested state companies, and bankrupt private companies which could not stand the severe competition from Asia as a result of the trade liberalization policy all became worse off economically and vulnerable during the adjustment period. The

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[21] Jonah, K."The Social Impact of Ghana's Adjustment Programme, 1983-1986," in Bade Onimode, ed.,*The IMF, the World Bank and the African Debt*, Vol. 2, *The Social and Economic Impact* (London: Zed Books, 1989).

excessive depreciation of the cedi added to the woes of the poor in particular, through the incessant increases in prices of fuel and other basic goods such as food and clothing. This encouraged the import of second hand clothing, resulting in the collapse of several local textile industries.[22] Since the main source of livelihood for women and other care-givers, particularly in deprived rural communities, has been agriculture, removal of subsidies on agricultural inputs, low agricultural productivity and the retrenchment exercise impacted adversely on their households, particularly on children.

The introduction of user charges to the utilization of both education and health services and the cuts in subsidies to the education sector which led to the introduction of textbooks fees at all levels and to the removal of food and boarding subsidies at the secondary and tertiary levels, adversely affected enrollment rates in schools and the health conditions of children in rural and urban poor households. Available data from UNESCO and Ministry of Education sources show that apart from 1983, when there was a reduction in primary school enrollments, all other years including those of the adjustment years recorded increases in enrollment rates. This data however, failed to take into account the drop-out rate as well as the proportion of children of school-going age who were in school, which would have portrayed a better picture of the impact of SAP on the sector.[23] The drop in enrollment rates in 1983 only adds to the already documented facts about the general fall in socio-economic life of the country. World Bank statistics, however, offered much more insight into how the SAP affected the education sector adversely with the introduction of fees and removal of subsidies. The primary school enrollment ratio (ratio of actual number of pupils in school as against the total number of

[22]Logie, D. et. al.,"Structural Adjustment: The Wrong Prescription for Africa," *British Medical Journal*(July 1993).
[23]Kyei, P.K."Ghana's Experience."

children in the age group who were supposed to be in school), declined from 80 percent in 1980 to 76, 72, 71 and 73 respectively in 1985, 1986, 1987 and 1988. By 1990, the ratio had reached 66.8 percent.[24] This meant that one-third of all school-age children were out of school. The enrollment of girls fell from 46.23 percent in 1983/84 to 43.01 percent in 1985/86 and from 43.01 percent 1985/86 to 42.90 percent in 1986/87, probably signifying the withdrawal of girls from the school system to assist in economic and domestic activities in the face of reduced incomes of care-givers and general economic hardships which mostly affected the rural people and urban poor. It can be concluded therefore that, while the increase in budgetary allocation in the second part of SAP led to improved delivery of education, especially at the primary level, the benefits accrued to the urban rich households who could bear the high cost of utilization fees. Thus, to the masses of the people including the urban poor, producers of non-tradable agricultural commodities, landless labourers, petty traders, artisans and many rehires from divested state-owned enterprises who lost their jobs and experienced reduced incomes, the availability of better educational facilities meant nothing, insofar as their prohibitive user costs made them inaccessible.

In the area of health services, infant and maternal mortality got no better. The introduction of hospital fees meant care-givers who did not benefit directly in terms of rise in income were to be worse off generally. Statistics from the Ghana Living Standards Survey (GLSS) in 1988 reported that fewer poor people (25 percent) had utilized the available hospital facilities in the four weeks preceding the survey than was the national average of 35 percent. This of course, did not mean that the health status of the poor was better than the rich; rather it reflected the extent of poor utilization of health services by the poor during the period. While in the urban areas an average of about 80 percent consulted a medical doctor

[24] Ibid.

when they were ill, in the rural areas only 5 percent did so, with 37 and 42 percent seeking health care from inappropriate sources due to high cost of health service and the apparent non-existence of providers. According to the GLSS 2 in 1992, on the average 48 percent of all sick Ghanaians did not consult health providers of any kind during the adjustment period. In some rural areas, out-patient attendance dropped by nearly 50 percent when hospital fees were introduced, leading to poor health conditions of children and their care-givers. Regarding the general well-being of Ghanaians in the pre-and post-adjustment periods, poverty levels increased during the SAP period.[25] The Institute for African Development (IAD) special mission report estimated that the proportion of rural poor increased from 43 percent in 1970 to 54 percent in 1986, while urban dwellers below the poverty line increased from an average of 30.35 percent in the late 1970s to between 45.50 percent in the mid-1980s. It may be said that the overall impact of SAP on the social sector cannot be fully captured because of the lack of statistics. However, in the areas of education and health care, there seems to be enough evidence to suggest that the poor suffered adversely from some structural adjustment policies.

In 1987, upon realizing the social cost that the SAP was inflicting on children, care-givers and the poor in general, the Programme of Action to Mitigate the Social Cost of Adjustment (PAMSCAD) was introduced. A number of programmes and policies targeted at poverty reduction were introduced under the PAMSCAD. However, existing data show that much of the funds made available for the PAMSCAD projects were redirected into uses other than the intended purpose. Thus, the PAMSCAD was criticized for inadequate targeting of the poor. The highly fragmented nature of PAMSCAD—not only by project type but also by geographical coverage and the fragmentation of donors'

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[25] Ghana Statistical Service, Ghana. *Living Standards Survey Two*, Report, 1992, 3-9.

effort by subscribing to different projects—were also sources of problems which inflicted extra costs of administration and coordination on the Ghana Government. As a result, the impact of the PAMSCAD on addressing the social cost of the adjustment programme to contain the sub-Saharan African crisis was insignificant for the poor and other vulnerable target groups.

Historical Lessons for the Contemporary Crises

The current global food and financial crisis has been considered the most serious crisis since the Great Depression in 1933 by leading economists. Stock markets fell, large financial institutions nearly collapsed or were bought out, and governments in even the wealthiest nations had to come up with rescue packages to bail out their financial systems due to the economic crisis.[26]The IMF refers to it as "the most dangerous shock in mature financial markets since the 1930s."[27] The World Bank[28] expected global GDP to decline in 2009 for the first time since 1945 and world trade to register its largest decline in 80 years. Out of the 51 economies with data for the fourth quarter of 2008, 36 showed double-digit declines in nominal exports compared to a year earlier.[29] Net private capital flows to emerging markets were expected to decline from US$929 billion in 2007 to US$165 billion in 2009,[30] affecting all flows (equity, portfolio, commercial loans,

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[26]Ritch's World, "Overview of Global Financial Crisis- Part 1" http://www.Ritch-african-blogspot.com/2008/10/overview-of-global-financial-crisis.html. Accessed on 20/09/2009

[27]IMF,*World Economic Outlook: Housing and the Business Cycle* (Washington, DC, 2008).

[28]World Bank, *Swimming Against the Tide: How Developing Countries Are Coping with the Global Crisis* (Washington, DC, 2009).

[29]World Bank, *Rapid Assessment of Economic Crisis Impacts* April/May 2009 Terms of Reference (Washington, DC, 2009).

[30]IMF., *Global Economic Policies and Prospects, Note for the Meeting of the Ministers and Central Bank Governors of the Group of 20, 13-14 March 2009* (2009).

etc.). The gap to finance the current accounts of developing countries was estimated to be as high as US$700 billion.[31] Moreover, the International Labour Organization (ILO) estimated that 51 million jobs could be lost in 2009,[32] and the World Bank predicted that the number of poor people was estimated to increase by 46 million in 2009 and that an additional 200,000 to 400,000 of infants were likely to die as a result of the economic crisis.[33] The World Bank further estimated that, the "Triple F" crises (financial collapse, combined with the food and fuel price crises) would increase the number of the poor by between 53 and 64 million people in 2009, based on estimates of those living on less than $2 a day and $1.25 respectively and that there would be about 55-90 million more extreme poor people in developing countries in 2009 than before the financial crisis. Thus, the financial and food crises exacerbated poverty and inequality, unemployment and undermined progress towards the MDGs.[34]

It is relevant to learn from historical perspectives that poor care-givers and children are hit the hardest in any economic crisis; jobs are lost and many more people sink below the poverty lines. Economic crisis intertwined with food and fuel crises as in the "Lost Decade for Africa" usually affect children in a number of ways. Evidence from the economic crises in Asia and Africa shows that the number of street children increased. In Thailand alone, the number of street children increased by 10-15%. Time and care of parents come under intensive pressure in times of crisis and this affects the development of children. Parental unavailability and poor working conditions result in children left alone and on their own for long hours. The present situation makes pragmatic efforts to strengthen social protection programmes in African a major

[31]World Bank, *Swimming Against the Tide*.
[32]ILO, *Global Employment Trends* (Geneva, 2009).
[33]World Bank, *Swimming Against the Tide*.
[34]ODI Briefing Paper 51, *The Global Financial Crisis: Poverty and Social Protection, Evidence from 10 Countries* (August 2009).

policy issue if African countries could contain the impact of the crisis and strategies to actualize the MDG's by the year 2015.

Social Safety Net for Children and Care-Givers in Ghana

As a result of the global economic crisis, hunger and malnutrition, unemployment and reduced incomes are likely to grow worse. Countries with poor social safety nets for children and care-givers usually bear a greater burden of the impact of crises. In 2003, the Ghanaian government began to implement the Ghana Poverty Reduction Strategy as a policy framework to support growth and poverty reduction towards the achievement of the MDG's. The strategy aimed to create wealth by transforming the nature of the economy to achieve growth, accelerate poverty reduction and protect the vulnerable and excluded within a decentralized, democratic environment.[35] To achieve this broad national goal, government's efforts were directed to six thematic areas. Key amongst them was the provision of special programmes in support of the vulnerable and the excluded, including care-givers of extremely poor households and children. Social intervention programmes directed at extreme poverty reduction include the Livelihood Empowerment against Poverty (LEAP), Ghana School Feeding Programme (GSFP), National Youth Employment Programme (NYEP) and the National Health Insurance Scheme (NHIS). Though the introduction of these safety nets is recent and too early to fully assess their impact, it is relevant for this study to unravel their objectives and their prospects for reducing vulnerability to the effects of the global economic crisis.

Livelihood Empowerment Against Poverty (LEAP)

The government of Ghana introduced the Livelihood Empowerment against Poverty (LEAP) programme in January 2008. It involved direct transfer of money to people considered

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[35] GPRS, *Ghana Poverty Reduction Strategy I (2003-2005): An Agenda for Growth and Poverty Reduction* (Ghana: National Development Planning Commission, 2002), 1-20.

extremely poor. The LEAP programme was to provide extremely poor and vulnerable heads of household with a monthly income between 8 and 15 Ghana cedis as part of government's social protection measure to attack chronic poverty and accelerate the achievement of the MDG's. The implementation of the programme has begun in some districts with the aim of assisting extremely poor and vulnerable households to satisfy some of their basic needs. The programme hopes to reduce extreme poverty and vulnerability in Ghana.

Ghana School Feeding Programme (GSFP)

Malnutrition remains a major cause of under-weight, stunting and death amongst children born into relatively poorer households in Ghana.[36]The inability of most Ghanaian parents to provide well balanced meals to their children affects the health conditions and proper development of a majority of children in Ghana. In 2003, the government of Ghana started the implementation of the school feeding programme in some deprived districts in the country. The programme seeks to promote an increase in domestic food production; to reduce hunger, malnutrition and infant mortality amongst Ghanaian children; and to encourage school enrolment, attendance and retention amongst the target group of school children in the most deprived communities in Ghana. Under the programme, pupils in deprived government basic schools are provided with a plate of balanced meal each day.[37] The introduction of the school feeding programme in some government basic schools has increased the basic school enrollment rate in Ghana; however, its impact on the health status of children is yet to be confirmed based on systematic research process.

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[36]*Ghana Demographic and Health Survey (GDHS), 2003* (Calverton, Maryland: GSS, NMIMR AND ORC MACRO, 2003), 113-235.
[37]*Ghanaian Times*,"New Measures to Improve School Feeding Programme," 9 August 2008, 3.

National Health Insurance Scheme (NHIS)

The health sector reform that characterized the implementation of the structural adjustment programme in Ghana in the 1980s led to the introduction of what became commonly known as the "cash and carry" system in the country's health sector. The system ensured that health service was available to Ghanaians who could afford the service. The system thus worked to the detriment of majority of Ghanaians who could hardly pay for the high cost of health service during the adjustment period. High rates of infant and maternal mortality and of self-medication were recorded in rural Ghana during the period. In 2003, the government of Ghana introduced the National Health Insurance Scheme (NHIS) to replace the "cash and carry" system. The aim is to make health service accessible and affordable to all Ghanaians, particularly the poor and vulnerable. Since 2003, the programme has been operational to the advantage of children and poor households residing in rural communities by reducing the incidence and severity of diseases such as malaria and guinea worm common among households, towards the actualization of the health related MDGs.

Conclusion

Effective social intervention programmes, particularly for the benefit of the poor and vulnerable groups, are more likely to lessen the impact of the food and financial crises on children and care-givers in affected areas. It is thus the responsibility of government, non-governmental organizations, civil society groups, donor agencies and the international community to support actively the implementation of social intervention programmes to ameliorate the impact of the crises on the vulnerable, particularly children. It is only through collective and radical pro-poor measures that African countries could eradicate extreme poverty and contain its multiple manifestations on the health, human capital development, and the environment to achieve the MDGs for their citizens who have been made worse off by the food, fuel and financial crises of today.