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A GENERAL SURVEY OF THE EXPERIENCES OF SOME LESS DEVELOPED COUNTRIES (LDCs) UNDER THE STRUCTURAL ADJUSTMENT PROGRAMME (SAP)*

Abstract

This paper is a review of the impact of Structural Adjustment Programme (SAP) on the economies of ten less developed countries (LDCs). It analysed the performance of some selected macroeconomic variables both before and after SAP was adopted in the selected countries. Based on available data, the several and collective lesson of experience confirmed that the impact of SAP varied not only amongst countries, but also within the various sectors in the same economic entity. Overall, it may be concluded that the broad theoretical objective of SAP was achieved mainly on the external sectors of the countries surveyed, while it tended to have less salutary effect on the domestic sectors of the selected LDCs.

Introduction

While the oil price shocks and the rise in real interest rate for external debt servicing of the 1970s and 1980s are generally recognised as the short-term harbingers of economic difficulties, and social distress in the LDCs, a striking feature of several problem economies in the LDCs still remains the extent to which inappropriate economic policies have contributed to further destabilize, and intensify the magnitude of their structural imbalance and economic malaise. Based on different methodologies and timeframes, Guitian (1982), and Donovan (1982), have carried out studies in which they argued that the

economic problems of several LDCs can indeed be reversed; provided, these countries adopt, and sustain a mix of appropriate economic measures that are often prescribed under the umbrella of SAP.

To date, while the broad policy objective of SAP namely: "the restoration and maintenance of viability in the balance of payments in an environment of price stability and sustainable rates of economic growth", (Guitian, 1982), has been widely accepted, it has nonetheless been argued that SAP policy measures also "cause" retardation in economic growth, as well as severe hardship on those whom the programme is ostensibly designed to assist (Kirkpatrick and Onis, 1985). Be it as it may, the efficacy of SAP in uplifting the economic fortunes of the LDCs remains debatable. This perhaps, accounts for the general fits, and starts that have so often characterised the implementation of SAP in several LDCs since the seventies. Against this backdrop, the objective of this paper is to undertake a review of the impact of SAP in five selected key economic indicators, namely: the gross domestic product (GDP); inflation; exports; imports and the external reserve.

The rest of the paper is organised as follows: Part I presents a brief review of the literature, methodology and the sample of countries chosen for the study. Part II analyses the historic economic setting of the selected economies, and the objectives of SAP, while Part III, evaluates the impact of SAP. This will be followed by the summary and conclusion.

PART I LITERATURE REVIEW

Just like every controversial idea, SAP has over the years amassed both vocal critics and fervent advocates. Interestingly, whereas the industrialised Western nations — including prominent international financial organisations such as the IMF, and the World Bank perceive SAP as the sine qua non for the policy makers of the LDCs, the latter in turn, view SAP more or less, as an instrument designed to keep their economies under the yoke of Western domination. Paradoxically, while the broad policy objectives of SAP is generally accepted by both its critics and advocates, the content of SAP policy package still remains controversial.

In their review of the effectiveness of SAP policy contents, Miles (1978) and Kirkpatrick and Onis (1985), maintain that SAP is hardly the panacea for the economic difficulties facing the less developed nations. The authors opine that given the inherent structural characteristics of most LDCs, the implementation of a typical SAP policy package — such as devaluation, monetary and fiscal restraints will instead combine to exacerbate their conditions, rather than improve them. Indeed, this view has also been corroborated by an empirical study which was carried out by the Overseas Development Institute (1984), on the impact of IMF sponsored programmes on the economies of LDCs. The Institute is of the opinion that SAP has had very insignificant impact on the main target variables. "Typically, the overall balance of payments has shown some small improvement, but inflation has not been reduced and output growth has declined or remained unchanged."

However, against these negative findings, it has been suggested by a number of researchers — Donovan (1982), and Guitian (1982), that the failure of SAP to achieve its vaunted objectives

arises from inability of the programme managers in LDCs to implement successfully, and on sustained basis, the policy prescriptions of the programme. This observed lack of discipline or commitment on the part of the programme managers in LDCs, is usually manifested in their non-achievement of the prescribed performance criteria — such as, reducing the level of fiscal deficit; adhering to prescribed monetary and domestic credit targets, which are deemed (a priori) consistent with the absorption capacity of the domestic economy and the success of SAP.

In spite of these observed lapses in programme implementation in LDCs, a comparative survey involving a sample of several programme and non-programme LDCs has shown that "in broad terms, programme countries recorded significant reductions in their external deficits, while at the same time, exhibiting only marginal changes in their growth rates of real GDP and consumption (Guitian 1982).

To date, it would seem that the general consensus amongst policy makers and researchers in both the developing and developed nations is that: whether or not, the LDCs will continue to resort to SAP and successfully implement its policy measures, will depend largely on the extent to which the policy impact of SAP on the welfare of the less privileged is made more tolerable. Interestingly, the conditionalities that are now attached to most SAP packages are relatively less stringent when compared with

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SAP packages that were designed in the early 1970s. For example, adjusting countries now have more access to "new" money (enlarged IMF/World Bank facilities) than in the past — and with the introduction of multi-year debt rescheduling arrangements, the net outflow of capital in the adjusting countries is expected to have considerably declined in real terms. Thus, because of these and other innovations that have characterised recent SAP packages, we believe that revisiting the impact of SAP on some selected LDCs, is a worthwhile exercise.

Methodology

In evaluating the impact of SAP, it is evident from the literature that most researchers have adopted the "Before/After" analytical approach. As the name implies, this traditional approach entails the evaluation and comparison of identical pre and post SAP performances of selected economic indicators of a particular country. However, another contending methodology is known as the "counterfactual" framework. This approach has two versions, namely: the "absolute" and "relative". The absolute version is purely an exercise in econometric simulation, as it involves the fitting of some selected historic time series data (e.g. Gdp prices, etc.) on a trend equation; from which a "reference forecast" of the likely behaviour of these variables could be made. In other words, by the adoption of this methodology, the researcher can fairly predict the likely economic development in the absence of SAP. Conversely, the relative version of the counterfactual approach, simply compares the performances of countries that adopted SAP, vis-a-vis those that had need for SAP, but did not adopt it, during the same period.

We have chosen to adopt the traditional approach in this study. All things considered, we are of the opinion that this methodology

is relatively more objective and neutral than the other contending approach, which is somewhat conjectural. Nevertheless, it should be emphasized that the adoption of the "before/after" approach that we have chosen is not without its limitations. In fact, this analytical approach may likely reflect developments arising from factors unrelated to the implementation of SAP policy measures. For example, a post-programme performance appraisal which reveals improvement/deterioration in the balance of payments position of a country, may be as a consequence of improvement or otherwise in that country's terms of trade, and not necessarily, as a result of the adoption of the appropriate demand-management measures, which SAP packages often emphasise. Consequently, we would like to caution that the assessment of the "independent" impact(s) of SAP, in any given economic environment is not readily amenable to mathematical computation. However, an effort is made to delineate as much as possible, the impact of implementing SAP policy measures on the selected key variables.

A total of ten less developed countries, were chosen for the study. These countries initiated SAP between 1979/80, under IMF approved upper and extended credit tranche arrangements. However, the choice of selected LDCs was essentially determined by convenience, in terms of availability of data. In the main, the countries chosen ranged from fairly industrialised nations such as Korea and Turkey; to basically agrarian nations like Tanzania and Bangladesh. In fact, it is significant to note that all the LDCs shared common economic problems: stagnated growth, unsustainable fiscal deficit, inflationary pressures, and external reserve depletion (see Appendix I, Tables I and III).

Virtually all the annual time series data were obtained from the International Financial Statistics, World Tables, and IMF Departmental Memorandum.

PART II THE ORIGINS AND OBJECTIVES OF SAP

The economic setting

The persistence of domestic and external disequilibria that were the dominant characteristic of the countries that are included in the survey, can be traced to the mix of monetary and fiscal policies that were pursued over the years in these countries. To be sure, while the socio-economic problems of LDCs are usually multi-dimensional, and as such, somewhat difficult to be traced to a specific source — nevertheless, the major causes of fiscal imbalance, inflationary pressures, and stagnated growth were traceable to excessive monetary expansion. For example, in majority of the countries, money supply grew at an annual rate of 20 per cent and above — while domestic credit and claims on government (government borrowing) expanded by an average of over 31.03 and 44.90 percentage points respectively, prior to the introduction of Structural Adjustment (see Table I). In fact, in the views of monetary economists — Friedman (1970) and Johnson (1972), these rates of expansion of the monetary aggregates were too excessive, and unsustainable.

In apportioning blames, the major inducement for rapid monetary expansion and huge government borrowings included inter alia: substantial government ownership of non-viable enterprises, investments in ambitious development projects; poor pricing of government produced goods and services; huge public sector wage bill, and inefficient tax administration. Thus given the well known inter-relationship between fiscal and monetary policies in LDCs, the persistent growth in the overall level of fiscal deficit that occurred in the sampled countries was mostly financed

by the floating of government debt instruments (Treasury Bills/Certificates) which were purchased largely by the Central Banks. Consequently, the monetary authorities embarked on accommodative monetary and credit policy at a period when tight monetary policy ought to have been more appropriate (see Table I). Incidentally, while other monetary aggregates (e.g. credit to government, deposit liabilities etc), of these countries witnessed rapid growth, their net foreign assets persistently declined on the average — thus manifesting the imbalance in the external sector, as well as the inconsistencies of the fiscal and monetary policy measures that were pursued, prior to the adoption of SAP.

In addition to the inappropriate fiscal and monetary policies that were pursued in these countries, the emergence of economic difficulties were also traceable to the inefficiency of their capital and money markets. Though the apparent paralysis of their financial systems cannot be blamed on factors pertaining to "under-development" per se, most of the impediments which vitiated their systems arose as a result of deliberate government policy — such as the traditional prescription of low interest rates (which sometimes were actually negative in real terms), and unrealistic sectoral allocation of credit (which the banks often obeyed in disobedience)¹. For example, according to an IMF Official Report (1984), the reasons why such controls were

¹See the Annual Reports of the Central Banks of the various countries in the sample.

maintained included inter alia:

- (i) "the desire to contain the cost of servicing the domestic portion of the public sector debt;
- (ii) the desire to suppress the crowding out of private sector spending that might result from the higher interest rates caused by government deficits;
- (iii) the suspicion that oligopolistic practices in financial markets would result in higher interest rates and larger spreads than justified;
- (iv) fears that higher interest rates and an unhindered distribution of credit would impair development goals by depressing investment in key sectors; and
- (v) worries that reforms might weaken certain financial institutions saddled with fixed interest rate assets."

Furthermore, distortions in price-cost relations in domestic productions and consumptions were also common features amongst the countries sampled. The major factors responsible for this relative price distortions included deliberate adoption of misaligned exchange rate regimes (currency over-valuation), import licensing, price controls and inappropriate tariff structures. In Sudan for example, the effects of these distortions were very severe — as goods and services became very scarce and expensive, in the years immediately following the adoption of SAP.

Overall, while these could be readily acknowledged as policy induced "long-term" causes of structural imbalance, and economic difficulties, the short-term cause has often been triggered by the persistence of unfavourable terms of trade.

General objectives of SAP

Against this background therefore, it is not surprising that a typical SAP package is usually designed to address certain specific problems relating to: structural rigidities, price distortions, growth and demand management difficulties, etc. (see Table 2). Consequently, the broad objective of SAP can be succinctly stated as "the restoration and maintenance of viability in the balance of payments in an environment of price stability and sustainable rates of economic growth" (Guitian, 1982).

In general, while the broad objective of SAP is generally

PART III ASSESSMENT OF THE IMPACT OF SAP

As earlier indicated, our brief cross-national performance appraisal of SAP in the respective economies of the chosen LDCs will be restricted to the analysis of the pre-programme and post-programme behaviour of the selected key variables. To recapitulate, these variables are: real GDP; inflation; export; import and the external reserve.

It should be remarked that, despite the diversity and severity of the socio-economic problems which the adjusting countries faced during the review period — we are convinced that the magnitude of these complex difficulties can be readily deduced by analysing the trend behaviour of our chosen indicator variables. For example in the absence of employment data, the problem of unemployment which was a common phenomenon amongst the sampled LDCs, can be easily inferred by examining the growth trend of the gross domestic product. Because, all things being equal, a rise/decline in the real GDP will translate to either a decline/rise in the rate of unemployment. Similarly, the impact of widening level of deficit financing and economic privation, can be gleaned from the changes in the domestic price level. Finally, the magnitude of deepening external imbalance in the economies surveyed, could also be gauged from the differential

accepted in all the LDCs the choice of policy instruments that are adopted for the realisation of this broad objective has often varied across countries. For example, while a simple straightforward discrete devaluation, has often been adopted in order to realign the local currency exchange rate in some of the countries, others have nevertheless, adopted a multiple exchange rate regime for the same purpose. However, a general characteristic of all the countries that have adopted SAP, is their common reliance on the potency of the exchange rate action. This reliance is based on the belief that a realistic exchange rate can play a major role in the overall incentive framework — particularly, in the production and competitiveness of domestic tradables; expenditure reduction, and switching.

At this juncture, it is necessary to emphasize that adoption of SAP transcends the realignment of the exchange rate by the policy makers. In countries such as Sudan, Tanzania and Bolivia, etc. — which are included in the sample, the policy packages also emphasized: the rehabilitation of existing infrastructures, strengthening of the administrative machineries relating to tax administration and budget control; revision in the incomes policy and diversification of the export base, etc. Indeed, while the broad objective of SAP is uniform across countries, there is hardly any strict similarity in policy packages amongst the countries that have been selected for this study. We therefore support the views expressed by the IMF — Report of (1984); that "the wide ranging nature of economic and financial difficulties which led to the emergence of large and growing imbalances was reflected in a similar diversity in the economic policies adopted in support of the required adjustment effort." Unfortunately, this view is not shared by critics of IMF approved programmes — who perceive SAP as a package of similar and indivisible policy instruments.

Overall, we have attempted to present a comprehensive summary of the wide array of adjustment measures that may be undertaken by a typical country on Table 2. Nevertheless, it is interesting to note that virtually all the countries in our survey sample initiated measures aimed at expenditure switching and reduction — which may either entail exchange rate devaluation, fiscal/monetary restraints, and, or adoption of appropriate pricing formula for public goods and services.

in the levels of exports and imports².

Before we present the empirical results of this study, it is necessary to caution that we shall not attempt to answer the related and crucial question of whether or not, the adjusting countries adequately met their various required performance criteria — such as the need to restrict the levels of: fiscal deficit, money supply and domestic credit, etc., to levels which were considered to be consistent with the domestic absorption capacity (Friedman, 1970). This neglect is, however, due to lack of requisite data for the countries in the sample survey. But it should be remarked that proponents of SAP such as the World Bank, and the IMF have argued that the success of SAP in achieving its broad macroeconomic objectives depend largely on the achievement of these performance targets.

²We are, however, aware that more direct measures such as: the rate of unemployment, real consumption, savings and the overall balance of payments position, etc. would have provided better information. These data are not readily available for most of the countries sampled in the study.

Domestic sector: Growth and inflation

Generally, the performance in the real sectors in our sample survey was mixed during the period. Specifically, prior to the adoption of SAP, seven out of the ten countries in the sample experienced an average real GDP growth rate of 3 percentage points and above, as compared with just 4, during the post programme period. Furthermore, three countries — Bolivia, Costa-Rica and Madagascar — recorded absolute negative growth after the introduction of adjustment, while no case of absolute negative growth was experienced in the pre-programme era. It is also worth remarking that, with the exception of Pakistan, the few countries that achieved positive growths of 3 percentage points and above, after adjustment, did not quite attain their pre-adjustment growth levels. For example, during the period, the post adjustment growth rates of: Bangladesh, Korea, Pakistan and Senegal were: 3.85, 8.33, 5.91 and 3.28 percentage points, respectively, as compared with their pre-programme growth rates of: 4.41, 9.49, 4.90 and 5.52 percentage points, respectively. Overall, adoption of SAP did not improve the growth performance of the countries in the survey. This is evidenced in their aggregate average post adjustment growth rate of barely 1.82 percentage points, as compared with 4.56 percentage points in the pre-programme corresponding period.

Available data also indicate that the problem of double digit inflation did not actually abate with the adoption of SAP in the adjusting countries. For instance, prior to the programme, six countries recorded inflation rates of 10 percentage points and above during the period. This number rose to eight, with Bolivia recording a hyper-inflation rate of over 700 percentage points, after adjustment. Overall, the price level differentials for all the countries combined was not very significant in the two periods, as evidenced by the average rate of growth of 15.02 percentage points during the pre-adjustment period, vis-a-vis 19.48 percentage points in the pre-programme era¹ (see Table 3).

In conclusion, contrary to SAP objectives and traditional economic theory, available evidence seems to suggest that (with respect to the countries in the survey sample), lower growth rates in GDP and higher rates of inflation were the unintended twin nemeses of SAP during the period (see Summary Table 4). In fact, the simultaneous occurrence of higher inflation rate and reduced growth (stagflation), was the experience generally shared by the countries in our sample survey.

External sector

Judging from our indicator variables — (viz: Export, Import and External Reserve), the external sector was the area in which virtually all the countries in the survey recorded significant achievement — with respect to reserve build-up, reduction in the level of imports, and increase in exports (see Table 3).

Generally, available data indicate that the adoption of the adjustment programme in the countries surveyed might have induced them to export more, and import less in the post adjustment period than in the past. For instance, the aggregate average rate of change in the level of exports for all the countries prior to the adoption of SAP was 16.24 percentage points, whereas their combined post adjustment achievement was 58.76 percentage points. Conversely, while their pre-adjustment average rate of import grew by 22.80 percentage points during the review period, it however, declined to 13.51 percentage points in the post adjustment corresponding period.

Logically, it is therefore not surprising to find the external reserve positions of the countries healthier in the post adjustment

era; than in the pre-adjustment period⁴. Quantitatively, the external reserve of all the countries grew by 7.27 percentage points prior to the adoption of SAP, as against 27.21 percentage points in the post SAP corresponding period.

Perhaps, the observed positive development in the external sectors of the countries surveyed, suggests that the implementation of SAP external sector policy measures — such as: export incentives, modification of the tariff structure; export and import liberalisation etc., were relatively less controversial, and as such, easier for the programme managers to implement and sustain, than the implementation of demand-management measures — such as devaluation and reduction in government expenditure. In fact, the irony of SAP is that its efficacy is more apparent on the external sector, which has less vocal clientele support in the Byzantine political arena of the LDCs.

Summary and conclusion

Based on the performance of the selected macroeconomic indicators of the countries surveyed, it is evident that the supply incentive policies of the typical SAP package are relatively, less effective when compared with the typical SAP demand-management measures. This apparent weakness of SAP to enhance and sustain economic growth as envisaged, may be blamed on the too much emphasis which is now being placed on the implementation of policy measures that are intended to boost foreign exchange earnings, which are earmarked for the servicing of external debt obligations. Incidentally, the shifting of incentives in favour of the production of tradables (cash crops), has tended to exacerbate the economic maladjustment that SAP was designed to redress in the LDCs.

In conclusion, to the extent that SAP policy measures continue to disproportionately favour the production of exportables, and trade liberalization, most programme managers in the LDCs may increasingly become less enthusiastic in the implementation of a programme that basically encourages the production of exportables — which are either, not needed, or too expensive to be consumed domestically; and dependence on importables which they can hardly finance due to lack of foreign exchange — arising from heavy debt service burden.

¹As already noted in footnote 1 above, Bolivia's rate of inflation was excluded in computing the average.

⁴The issue of debt service was not discussed here because we lack the necessary data. We are therefore not in a position to say whether or not, the healthy external reserve position that was achieved by the adjusting countries was achieved at the expense of increased accumulation of external debt arrears, or as a result of multi year rescheduling arrangement.

APPENDIX I LIST OF COUNTRIES SURVEYED

1. Bangladesh — Adopted IMF approved Programme under the Upper Credit Tranche Arrangement signed on 30th July, 1979.
2. Bolivia — Programme approved and adopted on 2nd January, 1980.
3. Costa Rica — Concurrent First Upper Credit Tranche arrangement approved and adopted on 12th March, 1980.
4. Korea — Programme approved and adopted on 3rd March, 1980.
5. Tanzania — First Upper Credit Tranche Programme purchase was made in April 1979.
6. Madagascar — Concurrent First Upper Credit Tranche arrangement approved on 15th September, 1980.
7. Pakistan — Extended arrangement approved on 24th November, 1980.
8. Senegal — Extended arrangement approved on 8th August, 1980.
9. Sudan — Concurrent First Upper Credit Tranche arrangement approved on 4th May, 1979.
10. Turkey — Upper Credit Tranche Arrangement programme initiated in 1980.

Source: I.M.F. Internal Memorandum (1984)

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(MONETARY SURVEY)
PERCENTAGE CHANGES IN SELECTED FINANCIAL VARIABLES

Table 1

	PERFORMANCE BEFORE S.A.P.				PERFORMANCE AFTER S.A.P.			
	1977	1978	1979	Average Δ %	1983	1984	1985	Average Δ %
1.0 BANGLADESH								
1.1 Money Supply	17.48	27.92	10.47	18.62	35.57	33.61	8.72	25.97
1.2 Domestic Credit	22.39	16.63	22.62	20.55	23.08	29.19	18.32	23.53
1.3 Claims on Government	14.14	1.09	-2.41	4.27	25.72	6.68	-0.05	10.78
1.4 Net Foreign Asset	-86.03	519.08	112.44	181.83	—	46.79	-138.11	-45.66
1.5 Interest Rate	0	0	0	0	0	0	7.14	2.38
2.0 BOLIVIA								
2.1 Money Supply	20.90	12.43	16.68	16.67	206.89	1,793.25	-93.86	635.43
2.2 Domestic Credit	35.90	35.28	40.56	37.25	171.34	996.85	-94.76	357.81
2.3 Claims on Government	11.59	65.77	100.71	59.36	217.24	960.50	-102.90	358.28
2.4 Net Foreign Asset	0.94	-84.48	-666.37	249.97	64.86	144.26	—	104.56
2.5 Interest Rate								
3.0 COSTA RICA								
3.1 Money Supply	24.36	24.00	10.40	19.59	38.87	17.62	7.66	21.38
3.2 Domestic Credit	26.28	29.18	41.61	32.36	80.95	16.88	7.63	35.15
3.3 Claims on Government	73.28	82.30	130.12	95.27	41.46	10.69	-10.18	13.99
3.4 Net Foreign Asset	133.62	14.52	-61.85	19.08	—	74.72	96.32	85.52
3.5 Interest Rate	0	0	0	0	0	6.67	0	2.22
4.0 KOREA								
4.1 Money Supply	40.76	24.89	20.67	28.77	16.97	0.56	10.80	9.44
4.2 Domestic Credit	23.37	45.34	38.32	35.68	15.99	13.07	17.73	15.60
4.3 Claims on Government	-2.23	36.14	9.79	14.57	2.31	4.54	8.45	5.10
4.4 Net Foreign Asset	216.23	26.08	-66.53	41.21	-15.63	21.78	25.69	-21.03
4.5 Interest Rate								

(MONETARY SURVEY)
PERFORMANCE CHANGES IN SELECTED FINANCIAL INDICATORS

Table 1 (continued)

	PERFORMANCE BEFORE S.A.P.				PERFORMANCE AFTER S.A.P.			
	1977	1978	1979	Average Δ %	1983	1984	1985	Average Δ %
5.0 TANZANIA								
5.1 Money Supply	19.7	6.96	52.88	26.51	N/A	N/A	N/A	N/A
5.2 Domestic Credit	5.95	47.93	38.53	30.80	N/A	N/A	N/A	N/A
5.3 Claims on Government	-9.28	63.24	73.69	42.55	N/A	N/A	N/A	N/A
5.4 Net Foreign Asset	169.70	137.21	-35.35	-5.86	N/A	N/A	N/A	N/A
5.5 Interest Rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6.0 MADAGASCAR								
6.1 Money Supply	25.49	13.89	9.12	16.17	-7.38	24.53	0.55	5.53
6.2 Domestic Credit	21.74	22.11	58.95	34.27	22.08	19.69	11.65	17.81
6.3 Claims on Government	28.86	81.09	131.50	80.48	19.14	15.93	7.33	14.13
6.4 Net Foreign Asset	6.21	8.26	-298.20	100.08	-67.54	43.30	-0.20	-37.01
6.5 Interest Rate	0	0	0	0	N/A	N/A	N/A	N/A
7.0 PAKISTAN								
7.1 Money Supply	17.40	18.09	20.42	18.64	-7.38	24.54	0.55	5.54
7.2 Domestic Credit	22.70	21.58	20.32	21.53	22.08	19.69	11.65	17.81
7.3 Claims on Government	25.12	32.04	19.46	25.54	19.14	15.93	7.33	14.13
7.4 Net Foreign Asset	-146.83	—	184.16	18.67	-67.54	-43.30	-20.72	-43.85
7.5 Interest Rate	11.1	0	0	3.70				
8.0 SENEGAL								
8.1 Money Supply	14.99	15.95	0.61	10.52	0.08	1.32	0.96	0.79
8.2 Domestic Credit	18.79	31.11	21.16	23.69	8.18	2.68	8.36	6.41
8.3 Claims on Government	18.99	4.02	64.13	26.37	18.37	12.74	14.92	15.34
8.4 Net Foreign Asset	-20.84	177.18	-79.05	-92.36	—	-127.99	-207.42	167.71
8.5 Interest Rate	0	0	0	0	-16	0	0	5.33

**(MONETARY SURVEY)
PERCENTAGE CHANGE IN SELECTED FINANCIAL VARIABLES**

Table 1 (continued)

	PERFORMANCE BEFORE S.A.P.				PERFORMANCE AFTER S.A.P.			
	1977	1978	1979	Average Δ %	1983	1984	1985	Average Δ %
9.0 SUDAN.....								
9.1 Money Supply	41.93	27.47	32.04	33.81	11.72	18.33	49.93	26.66
9.2 Domestic Credit.....	31.66	24.02	22.71	26.13	29.47	19.53	36.45	28.48
9.3 Claims on Government	66.12	21.54	15.95	34.53	112.23	20.55	34.81	55.86
9.4 Net Foreign Asset	-0.07	-7.79	-31.49	13.12	-54.66	-0.86	-50.98	-35.5
9.5 Interest Rate.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
10.0 TURKEY								
10.1 Money Supply	38.99	37.02	57.17	44.39	44.57	23.24	42.06	36.62
10.2 Domestic Credit.....	50.43	33.92	59.63	47.99	38.59	77.17	62.46	59.41
10.3 Claims on Government	77.58	62.65	78.40	72.88	34.00	191.96	61.84	95.93
10.4 Net Foreign Asset	-76.51	518.98	32.54	158.34	-85.02	-137.54	-103.94	-108.83
10.5 Interest Rate.....	0	11.1	7.5	6.2	53.97	7.22	—	30.60

NOTE: N/A = not available

Source: I.F.S. various issues

TABLE 2

SAP STANDARD POLICY PACKAGE

DEMAND-MANAGEMENT/SUPPLY-INCENTIVE POLICIES

MONETARY POLICIES

- 1.1 Credit Ceilings (*)
- 1.2 Liquidity Ratio (+)
- 1.3 Positive Interest Rate (+)

EXCHANGE RATE/TRADE POLICIES

- 2.1 Exchange Rate Reform (*)
- 2.2 Trade and Payments Liberalisation (+)
- 2.3 Restructure of Tariff System (+)
- 2.4 Export Promotion or Liberalisation (+)
- 2.5 Import Substitution Drive (+)

PUBLIC SECTOR POLICIES (WAGES/PRICES)

- 3.1 Rationalisation Of:
 - Public Expenditure (*)
 - Capital Investment (+)
 - Employment (+)
- 3.2 Wage Restraint (+)
- 3.3 Producer Price Adjustment (+)
- 3.4 Reduction In Fiscal Deficit (*)
- 3.5 Reduction In Subsidies (*)
- 3.6 Reform Of The Tax Structure (+)

OTHERS

- 4.1 Financial/Administrative Reforms (+)
- 4.2 Curb In External Borrowings (+)

Note: (*) = These are generally, compulsory measures that must be implemented.

(+) = These policies are highly recommended; though their implementation are not compulsory.

Table 3

PERCENTAGE CHANGES IN THE PERFORMANCE OF SELECTED INDICATORS PER COUNTRY: (N = 10)

	PERFORMANCE BEFORE				PERFORMANCE AFTER			
	1977	1978	1979	Average Δ %	1983	1984	1985	Average Δ %
1.0 BANGLADESH								
1.1 GDP	1.33	7.59	4.32	4.41	3.61	4.22	3.72	3.85
1.2 Inflation	10.40	13.13	12.67	12.07	9.41	10.56	10.69	10.22
1.3 Export	18.93	12.81	25.66	19.13	4.62	32.53	18.43	18.53
1.4 Import	33.21	31.46	28.73	31.13	5.26	34.49	7.78	15.84
1.5 External Reserve	-19.45	35.45	22.52	12.84	187.02	25.61	-13.10	49.24
2.0 BOLIVIA								
2.1 GDP	3.41	3.12	2.03	2.85	-6.84	-0.93	-0.93	-2.9
2.2 Inflation	8.13	10.35	19.72	12.73	269.0	1281.0		775.00
2.3 Export	12.05	-1.10	23.83	11.59	-8.76	4.07	-13.95	-6.21
2.4 Import	14.53	22.97	17.02	18.17	-15.02	12.19	-0.71	-1.18
2.5 External Reserve	39.71	-19.56	4.95	8.37	2.69	57.15	20.51	26.78
3.0 COSTA RICA								
3.1 GDP	8.90	6.27	4.94	6.70				-1.65 ¹
3.2 Inflation	4.15	6.03	9.19	6.46	32.62	11.95	15.04	19.87
3.3 Export	39.68	1.89	9.57	17.05	11.37	98.72	-31.66	26.14
3.4 Import	32.58	15.96	18.92	22.49	22.52	19.99	13.74	18.75
3.5 External Reserve	99.65	1.78	-38.82	20.87	37.66	30.11	25.03	30.93
4.0 KOREA								
4.1 GDP	10.00	11.33	7.13	9.49	10.93	8.65	5.40	8.33
4.2 Inflation	10.15	14.41	18.31	14.29	3.38	2.30	2.47	2.72
4.3 Export	30.22	26.59	18.38	25.06	18.70	24.30	11.78	18.26
4.4 Import	22.98	38.10	35.84	32.31	15.36	21.45	10.45	15.75
4.5 External Reserve	50.61	-6.85	7.06	16.94	-16.40	17.34	4.20	1.71*

Table 3 (continued)

	PERFORMANCE BEFORE				PERFORMANCE AFTER			
	1977	1978	1979	Average Δ %	1983	1984	1985	Average Δ %
5.0 TANZANIA								
5.1 GDP	7.86	-0.58	3.35	3.54	—	—	—	0.43 ¹
5.2 Inflation	15.51	11.41	13.78	13.57	27.03	36.15	33.30	32.16
5.3 Export	8.67	17.76	22.15	16.19	-0.14	39.22	-13.90	8.39
5.4 Import	15.18	42.78	3.14	20.37	-15.46	45.96	38.64	23.05
5.5 External Reserve	150.93	-64.54	-31.93	18.15	304.16	38.66	-40.52	100.77
6.0 MADAGASCAR								
6.1 GDP	2.36	-2.62	9.8	3.18	—	—	—	-2.41 ¹
6.2 Inflation	3.05	6.56	14.05	7.89	19.36	9.83	10.55	13.25
6.3 Export	25.58	5.16	-3.88	8.95	5.34	69.62	-5.56	23.13
6.4 Import	24.51	16.93	53.52	31.65	9.05	28.05	24.54	20.55
6.5 External Reserve	-14.08	-91.55	10.59	38.74	46.0	101.71	17.83	55.18
7.0 PAKISTAN								
7.1 GDP	2.53	7.37	4.90	4.93	—	—	—	5.91 ¹
7.2 Inflation	10.07	6.69	9.45	8.74	6.16	6.60	5.82	6.19
7.3 Export	1.85	24.12	39.37	21.78	42.60	-10.73	21.26	17.71
7.4 Import	11.97	33.45	23.58	23.00	7.95	17.44	14.33	13.24
7.5 External Reserve	-3.65	-9.13	-47.79	-20.19	103.61	-47.54	-22.03	11.35
8.0 SENEGAL								
8.1 GDP	3.51	-3.94	5.52	1.70	—	—	—	3.28 ¹
8.2 Inflation	11.88	2.65	10.34	8.29	11.58	11.82	12.96	12.12
8.3 Export	8.62	-24.35	—	-7.86	30.79	17.64	19.22	9.74
8.4 Import	22.74	-9.20	—	6.77	19.88	19.93	-25.27	4.85
8.5 External Reserve	33.20	-44.21	1.60	3.14	7.02	69.67	37.84	10.61

Table 3 (continued)

	PERFORMANCE BEFORE				PERFORMANCE AFTER			
	1977	1978	1979	Average Δ %	1983	1984	1985	Average Δ %
9.0 SUDAN.....	18							
9.1 GDP	18.43	5.22	-4.77	6.29				0.41 ¹
9.2 Inflation	16.72	19.88	30.78	22.64	30.59	34.13	45.39	36.70
9.3 Export	19.26	-12.11	15.01	7.39	67.78	0.83		34.30
9.4 Import	8.08	21.80	6.21	12.03	45.07	-14.62	19.25	16.57
9.5 External Reserve	-1.69	22.41	137.32	52.68	-19.02	3.61	-29.07	-14.82
10.0 TURKEY								
10.1 GDP	4.94	4.32	-1.89	2.46				2.95 ¹
10.2 Inflation	27.11	45.33	58.65	43.69	32.92	48.38	44.96	42.08
10.3 Export	1.86	76.64	36.82	38.44	1105.47	277.10	-19.84	437.57
10.4 Import	26.34	8.02	57.56	42.09	4.23	15.71	2.99	7.64
10.5 External Reserve	-36.61	34.35	-7.92	-3.39	19.26	-1.32	-16.92	0.34

SOURCES: (1) International financial statistics, various years
(2) World Tables, various years
(3) I.M.F. Internal Memorandum (1984)
¹ Until 1983

SUMMARY TABLE 4
PERFORMANCE OF SELECTED DOMESTIC
AND EXTERNAL SECTOR INDICATORS (N = 10)

	All Country Average Performance all years before ¹ SAP	All Country Average Performance all years after ² SAP
	Δ %	Δ %
1. Growth In Real GDP.....	4.56	1.82
2. Change In Inflation Rate	15.02	19.48
3. Growth In Export.....	16.24	58.76
4. Growth In Import	22.80	13.51
5. Growth In External Reserve	7.27	27.21

¹ Since 1976-1979.

² Between 1983-1985 for all indicator variables except GDP, for 7 countries.

³ Bolivia was excluded in the computation because it experienced hyperinflation ranging between 500-1,200%. Its inclusion will obviously distort the analysis.

Sources:

(a) International Financial Statistics, Various Years

(b) World Tables, Various Years.

(c) IMF International Memorandum (1984)