

FROM DEEPENING ECONOMIC MALAISE TOWARD RENEWED DEVELOPMENT:
Notes Toward African Agendas For Action

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To plan is to choose,
Choose to go forward.

- President J. K. Nyerere

Pessimism of the intellect,
Optimism of the will.

- Antonio Gramsci

Our own reality - however fine and attractive
the reality of others may be - can only be
transformed by detailed knowledge of it, by
our own sacrifices, by our own efforts...

- President Amilcar Cabral

SSA: The Failure of Development

To speak of development in respect to most Sub-Saharan African economies today
is to speak of the past, not the present nor the currently foreseeable future.
The world's poorest region is rapidly becoming poorer - in a number of

economies real resource availability measured in physical gross domestic product adjusted for terms of trade changes is lower than in 1970. In extreme cases - such as Zaire, Ghana and Uganda it is probably lower than in the early 1960s. The present outlook in many cases is for "more of the same".

To describe SSA's economic malaise in these macro (or mega) economic terms is necessary to holding any overview to manageable length. It is also grossly misleading and insufficiently disquieting because it fails to convey the very real human misery these figures inadequately symbolise. On the order of 100 million human beings are seriously malnourished. Hundreds of thousands are dying prematurely annually from starvation and malnutrition caused reduction in resistance to disease. The human dimension of the crisis in SSA does not lie primarily in graphs of current account deficits or inflation rates but in rural clinics without drugs, schools without books, broken water systems without spare parts, workers without employment or access to productive self employment. Development is about human beings. They are its end and its actors, its evaluators and its justification. By that test, even more than by that of economic aggregates, SSA is failing.

For a majority of Sub-Saharan African economies and Sub-Saharan Africans the period since 1979 has been one of sustained or escalating crises and of stagnation or decline; for many it has been one of economic disaster. There are exceptions - of economies and of sub-classes, institutions and enterprises within them - and disagreement over degree and detail but the overall record of political economic unsuccess is both plain to read and broadly agreed.¹

The record of the 1970s is less agreed because it is radically more diverse by country and by sub-period. While the overall record was poor (relative to the 1960s and to the developing countries as a group) over 1970-73 and even worse

over 1974-75, 1976-79 was - for Africa as a whole - a period of 6% annual growth, well above its own historic average and somewhat above that of the developing countries as a group.² Within that average there was wide diversity with several secularly weak economies and also a general weakness in the agricultural sector and especially the industrial and export crop sub-sectors. A reading of continuous drift toward stagnation and decline, or of a failure to overcome 1973-74 external shocks, in a majority of SSA economies is not historically accurate.³

Similarly the basic causes of imbalance have not been massive increases in use of real resources nor general economic overheating. On the contrary in at least four fifths of SSA real private, consumption, fixed capital formation and public consumption per capita are significantly lower than in 1978 and in a substantial number than in 1970. Substantial falls in capital stock utilisation, not general overheating, characterise these economies. Inflation is prevalent because reduced import capacity has led to substantial devaluation and/or severe shortages and to sharply expanded government domestic borrowing requirements. Cost push inflation has resulted largely from reduced capacity utilisation and from the increased operating costs following inadequate maintenance of directly productive and infrastructural capital stock.

Certainly there have been cases of overheating and of unsustainable spurts of growth, e.g. Nigeria and Zimbabwe over 1980-81. Policy responses to reduced import capacity and other (e.g. drought) supply cuts without adequate attention to short term bridging finance and medium term restoration of supply have exacerbated imbalances and inflationary pressures. But the basic causes of the reversal of SSA's economic performance after 1979 are exogenous and originate in depressed supply not domestic or runaway demand initiated.

Understanding that record is of importance not in belittling the generality or depth of the post 1979 decline, but in recognising that its direct causation and timing was largely exogenous and that a decline in national command over resources not a rapid increase in their expenditure was - except in a handful of cases - the driving force behind growing external and internal imbalances. Neither of these points alter the need for response including restructuring - 1976-79 cannot be whistled back into being but they may well alter perspectives on how the responses should be structured.

The prospects for the next decade on present trends and policies are but little better than the record of the past half decade. On relatively optimistic⁴ estimates as to the international economic and financial contexts, the World Bank projects maximum likely growth rates for SSA more or less equal to population growth for 1985-1995.⁵ Since the projections assume increased shares of exports and of savings they really imply continued falls in real per capita consumption on top of 15-20% (in several countries over 33%) falls since 1979 to levels near or below those of 1970. Again - as with the post 1979 record - there are national exceptions (e.g. Botswana, Cameroon) and a margin of error in projections⁶ but - unless something is done, rapidly, generally and backed by adequate resource allocations - there is nothing to deny the general message of the forecasts that on present trends most SSA economies are, at best, bound for a decade of stabilised stagnation.⁷

The Need To Act

The necessity and the urgency of action is proclaimed only too clearly by the 1980-84 record and the 1985-95 projections - at least by and for Africans and

by and for any person or institution concerned, for whatever reason from direct self interest through believing "No man is an island... Ask not for whom the bell tolls, it tolls for thee".

It is necessary:

- a. to halt decline - in specific sectors, institutions and services, in the economy as a whole and in the conditions of life of Africans (especially of the most vulnerable and severely affected groups⁸);
- b. to rehabilitate productive and service capacity and to reactivate it to restore losses; and
- c. to restore a forward dynamic of development - which in the SSA context must include growth of productive forces generally, and of earned import capacity in particular, as a necessary (even if not a sufficient) condition.

Clearly this cannot be done in more than a few cases by continuing along present or historic strategy and policy paths. Both the external and domestic environments have deteriorated too radically to permit holding on until things come right - an approach which was viable over 1973-75 but even then required substantial short term restriction of demand and/or substantial increases in external bridging finance to a degree that amounted to at least an interim and temporary strategy change. Further 1976-79 return to pre-1973 strategies has - as can be seen much more clearly in retrospect than at the time - left African economies even more vulnerable than before to external economic shocks and in particular to declines or sustained stagnation in real earned import capacity and net real external resource transfers. Intensification of these approaches - whether export led growth or standard import substitution - is likely in most cases to worsen the present situation and prospects rather than

to improve them. Some of the strategic reformulations of 1979-84 might fare better if net external resource transfers were set to rise rather than to fall from \$11,000 million to \$5,000 million over the next decade, but - at least at present - seem to be almost as unsustainable as their predecessors.

Action is needed as soon as possible - the costs of delay are already high and rapidly escalating. In human terms people are starving and more are being ground into abject poverty, children are being deprived both of education and of the food and medical services needed to take advantage of it, societies and polities are being strained and eroded to the verge of breakdown and disintegration (or beyond). In productive capacity terms lack of inputs and of maintenance is not merely causing current output losses but rapidly undermining the directly productive, infrastructural, service provision, institutional, managerial and policy making bases on which recovery must be built. In political and national terms continued unsuccess makes mobilisation of energy ever harder - confidence in ability to succeed is increasingly eroded by repeated failures, whatever their cause. That too is generally agreed at least in principle albeit both nationally and internationally there often appears to be an unhappy combination or alternation of frenetic, ill thought out attempted action which proves unsustainable together with interminable debate and negotiation over secondary issues of scope or detail or degree or phasing which waste time and increase the difficulty of action far more than they can improve its direction definition or targeting.

Defining Objectives: African and External

However, the urgent need for action and the backdrop to the prevailing economic malaise do not by themselves define what action. 1980-84 has been

after all marked by a wide variety of policy, strategy, institutional reform and policy changes involving very real sacrifices and reallocations of resources. In the most severely affected states these have - at the best - bought time, slowed down political economic erosion or achieved a fragile and partial recovery to levels still far below those of a decade ago (Tanzania, Zimbabwe and Uganda to date being respective examples). Certain elements necessary for adequate action can be identified:

- a. addressing the basic barriers to stabilisation, recovery and renewed development;
- b. utilizing present potential to produce and present opportunities to restore or expand both production and human welfare;
- c. allocating or reallocating enough resources for priority targets to be met;
- d. realistic in its perception of the limits on what can be achieved rapidly, but also on the limits in degree and time to which per capita stagnation or decline can be sustained without evolving into something much worse.

These criteria cannot be met within the present structures and dynamics of more than a handful of African economies (nor probably within the present political economic power structures and dynamics of a number either). The need for structural change - at least economically - is no longer at issue even if its nature, diversity and phasing are.

Nor can in most cases can they be met without either increased or at the least radically altered flows of net foreign resource transfers.⁹ That proposition has been challenged from two directions: first that global recovery would bring trade volume and terms improvements adequate to allow stabilisation and

recovery and second that a rapid delinking from imports could form the basis of a practicable short term adjustment and recovery strategy. The first may well be true for a few economies but for many it would require positing 50-100% short term export volume increases and/or 25-50% terms of trade recovery, neither of which is plausible. The second is simply implausible - the size, present structure, 1980-84 import compression and plausible structural change options of virtually all SSA economies mean that structural change (especially if directed toward national and regional economic integration) requires increased ability to import.¹⁰

While the bulk of this sketch toward new political economic policies and strategies is directed to what needs to be done - and ultimately can only be done - by Africans in SSA, it remains true that rapid, adequate action does require more foreign exchange because import strangulation is a major cause of the present economic malaise and a major barrier to overcoming it. In the medium - and especially in the short - term that requires more net foreign resource transfers whether by expanded new grants, loans and investment, by rescheduling or writing off old loans, by reducing or subsidizing interest rates or a combination of these measures. However, simply increasing transfers - let alone commitments - is not enough. They must be relevant to the actual urgent needs of SSA economies. That requires more rehabilitation and deferred maintenance and gap filling finance and less large new projects which can neither be full operated nor properly maintained under existing import constraints and which in fact divert free foreign exchange from priority uses because the foreign finance does not cover their full direct plus indirect import requirements.

Causes, Challenges and Responses

That the sudden worsening of SSA economic performance and prospects since 1979 has been largely the result of external shocks and only secondarily of domestic policy or practice does not, in itself, define an appropriate course of action. Nor does the fact that the basic problem is falls in supply mean that cuts in and restructuring of demand can be avoided. One response is to hold on and seek to ride out by temporary cuts and increased use of bridging finance within the same strategy - an approach many SSA states applied reasonably successfully over 1973-75 and attempted, usually with disastrous results, from 1979 onward. It works if and only if restoration of the old context occurs. A second is to break the negative contextual forces - i.e. restore stable 5-6% OECD growth, reverse terms of trade shifts, alter weather patterns, halt South African aggression and destabilisation. A third is to ignore them and try to go on as before. Clearly none of these offers much hope for success.

The two approaches which seem - in conjunction - to be plausible in the present SSA context are adjusting to changed contexts and restructuring to achieve the best possible results possible within them. However appropriate then the adjustment strategies of 1973-75 and the policy structures of 1976-79 were at the time, they are unlikely to be fully appropriate to these approaches today.

The basic choices are of how to change. The simplest is seeking to strengthen existing institutions and policies with little change in the expectation that greater efficiency and moderate restraint will be enough. Botswana did achieve this over 1981-83 but in the context of a stronger initial external balance position and lesser and more speedily reversed external shocks than

are typical of SSA so that not many states can hope to follow that path. When pursued in the context of massive shocks, and a worsening context - as in Tanzania over 1979-80 - the results are likely to be such large cuts in resource allocations as to render all targets unattainable, to reduce, rather than increase, efficiency of institutions and of policies and to exacerbate output decline.

A second approach is to maintain basic strategic goals but to reformulate targets, priorities and sequences, e.g. to raise emphasis on export expansion to limit cuts in critical imports, to rephase broadening nominal access to pure water in order to maintain and rehabilitate existing systems, to cut investment in new projects to free import capacity to operate existing units, loosen recurrent budget balance criteria to avert the collapse of key productive sectors or basic services. In the absence of increased external resource inflows it is open to question how many SSA economies retain enough strength and balance to follow this course, optimal though it would appear to be.

A third approach is to alter the basic strategy - and to all intents and purposes its short and medium term political economic goals - and start afresh. This is likely to be practicable only in the context of near total economic collapse and/or of a new government - e.g. Uganda in 1981, Ghana in 1983 - and even then only if significant external resources are made available to cover the costs of reconstruction.

Diversities of Performance and of Goals

Despite a universal past and present of economic fragility and a dominant pattern of present and perspective per capita stagnation or decline, SSA is also marked by substantial past and present diversity. This is true among countries, e.g. Ghana has had a dismal economic record since 1960 while Malawi's was - at least at macro level - satisfactory until the late 1970s. It is even truer by sector and sub-sector, e.g. Tanzania lacked an export development strategy at least until 1981 and was marked by export quantity declines from 1966 (with the exception on both counts of coffee, tea and tobacco) while the Ivory Coast's export strategy and quantitative performance held up well until the end of the 1970s. The same applies to institutions: Tanzania's Electricity Supply Corporation is basically highly efficient by most tests whereas its Marketing Development Bureau (1976-81 agricultural policy and parastatal supervision unit) and - at least over 1977-1981 - its National Milling Corporation (grain procurement, storage, import/export and marketing) are case studies in cumulative institutional inefficiency and its macro economic consequences.

Further, because goals and strategies have varied, there is wide variation in what changes amount to restructuring, rescheduling and abandoning them. In Botswana as in Tanzania abandoning universal access to basic education, primary health care and pure water as medium term goals with targets for attaining them would be a major political shift (in the latter case one almost certainly not consistent with the political survival of the present system and most of its leaders) but in many SSA states these have - for various reasons - never been serious operational goals and their formal abandonment would scarcely affect political credibility. There are political constraints on possible changes in all SSA states but what these are depend on the socio

economic structures, the makeup of the dominant sub-class coalition (and the probability of its changing), the perceptions (by workers, peasants, managers and proprietors as well as political leaders) of what is crucial in political economic terms and the economic records of the past two and a half decades. Any attempt to ignore these realities of diversity and prescribe a uniform agenda for action - as opposed to broadly applicable guidelines for framing African agendas - has little prospect either of technical economic efficiency or sustained economic viability.

Toward a Phased Return to Development

The course of emergency from economic malaise can be divided conceptually into four stages:

- a) stabilisation - i.e. halting absolute and limiting per capita decline to create a foundation from which to rebuild;
- b) rehabilitation of eroded capacity in production, infrastructure, basic services, institutional competence and policy making/implementation;
- c) recovery (basically built on rehabilitation plus "debottlenecking" investment, e.g. to increase earned import capacity or to substitute for existing key imports) of output and consumption to aggregate levels approximating those of 1979 (and to per capita ones approximating 1979 for food and basic services) and sustaining growth of aggregate production and consumption¹¹ at least equal to that of population (i.e. 3 to 4.5%);
- d) renewed development including, but not limited to, patterns of production growth consistent with sustaining internal and external

balance as well as increasing average personal and communal consumption while avoiding immiserisation of vulnerable groups of people.

A handful of SSA economies - notably that of Botswana - can start with the fourth stage. If they are able to act promptly on stabilisation a few more - for example Zimbabwe and the Ivory Coast - can largely avoid the need for massive rehabilitation because capacity is still endangered rather than debilitated. For a majority all four stages are relevant. In practice the first three overlap sequentially - the political and human costs of stabilisation are likely to prove unsustainable without some parallel recovery while rehabilitation usually requires some parallel investment in structural change ("debottlenecking") which can be characterized as development before full recovery is achievable (or sustainable).

From Partial Agreement to Action

So far this review of SSA economic history, present realities, perspectives and linked freedoms/necessities does cover ground on which there is fairly broad agreement. To that extent the recent World Bank review on SSA¹² is correct to speak of an "emerging consensus" and to argue that "delay in taking action, whether by African governments or by donors, can no longer be justified". However, the level of agreement is very general and - as the Bank itself notes - does not extend to detailed articulation, sequences, priorities and rates of change.¹³ In the actual formulation and implementation of action these can be very critical. As the Bank implies the cost of delay may be greater than the importance of some of the issues - a point perhaps particularly relevant to Structural Adjustment Programme negotiations and

often not adequately perceived by any of the parties to them. Nor is the agreement universal - within African states and externally there are dissenters whose objections and criticisms, often from radically divergent perspectives or interests, do combine to delay or thwart action.

There is increasing agreement that short term macro demand curtailment programmes by themselves cannot provide a basis for recovery. At best they can achieve "stabilisation without adjustment" - that is allow some restoration of internal and external balance so long as the economy is operated at levels substantially below capacity and growth is negligible but provide no adjustment of basic supply or demand structures providing a foundation for renewed growth.¹⁴ Furthermore, the most prominent programmes of this kind - those of the IMF - are limited in duration of drawings and of repayment to dealing with a short term crisis (up to three years) while for most SSA economies a 5 to 7 year period of stabilisation, rehabilitation and recovery appears necessary.

To proceed further in outlining what is - or may need - to be done it is necessary to review some of the key sectors, instruments and contentions issues. Such a review can be no more than a sketch or check list for three reasons. The first is space. The second is the diversity of SSA. The third applied political economy is best articulated by those who must apply it, not externally whether by academicians or institutions. Both African governments and Africans and external institutions and academicians should reflect on the fact that over the 1970s agriculture was - in most countries - the sector receiving the greatest relative augmentation of attention and of resources and the sharpest policy and institutional changes and also the one in which foreign personnel, advice, models and in large scale projects frequently resources were most dominant at all levels from strategy through policy to

project design implementation and - frequently - management.

Sectoral and Intrasectoral Priorities

Eight sectors - in a loose sense - which are of general priority are export or import saving production, food, manufacturing, physical infrastructure, human infrastructure, institutional infrastructure, policy infrastructure and knowledge infrastructure.

All SSA economies must give priority to raising earned import capacity, i.e. export expansion and to lowering demands on it, i.e. expansion of import saving production. None has or in the near future will have a sustainable import to GDP ratio much below one quarter and none has an export sector with a safe medium to long term 6 to 8% annual growth dynamic. Export promotion and import substitution need to be seen as two aspects of the same strategy of achieving external balance and sustainable development not as alternatives or opposites. There can be, and has been, e.g. extremely cost/benefit inefficient export promotion just as there can be and has been equally inefficient import substitution. In respect to neither are simple general answers (except wrong ones) available and for both selective rather than sector wide policy intervention is likely to be critical in SSA as - in very different contexts it has been for Brazil and South Korea, Hungary and Taiwan.

Historic primary product and semi-processed exports are, perforce, critical. For most two dilemmas need to be recognised. If most producers raise output rapidly the overall impact on price will be such as to cause each to earn less foreign exchange. And because world relative prices have been falling, with poor prospects for reversal in more than a handful of cases, to raise domestic

real prices is to contradict both the basic principles of market economics and to plan to back losers. On the other hand to delink from these exports before alternatives have been established to replace them is to link firmly to even tighter dependence on grants, loans and external policy direction, as well as to import cuts to a degree inconsistent with attaining stabilisation much less development.

In the short term most SSA economies must identify the least unpromising options to raise exports including: restoring debilitated traditional exports (e.g. cocoa in Ghana, cashew in Tanzania, copper in Zambia), holding market share in all but the most unpromising existing exports (e.g. Zimbabwe should seek to do so in steel and ferrochrome), capitalising on new natural resource based export potential (e.g. natural gas and products in Nigeria and Cameroon, pulp and paper in Tanzania, reassessed gold deposits in Zimbabwe, coal in Botswana and Mazambique), developing new agricultural exports with reasonable market prospects (e.g. soy beans, maize in several countries). Over the slightly longer term analysis of potential for pre-export processing and manufacture (e.g. of hides and skins, cotton, sisal, logs and timber, ores and concentrates) of present exports and intra-regional trade in manufactures (as well as energy and food) should in most cases identify potential for export expansion and diversification. What is uniformly needed is more coherent and imaginative analysis backed by more sustained and prioritized export promotion funding (in whatever form is most appropriate).

However, export promotion will not be enough to regain external balance - or to sustain it with 4% to 6% GDP growth rates - for a majority of SSA economies - including in all probability some past star export performers like the Ivory Coast and Malawi. Equally systematic analysis of import substitution potential and priorities is needed in basic foodstuffs (including oilseeds,

meat, fish, dairy products and perhaps sugar just as much as grain), in commercial fuel and energy, in broad market consumer goods and intermediate inputs into them, in construction materials, in engineering (usually starting with plant plus spares and components) and in tradeable services (e.g. construction). Evidently not all theoretical possibilities will prove practicable or cost effective, but at the margin a number are almost certain to be more so than the foreign exchange earning alternatives actually open even in short (let alone long or medium) term perspective. Forex earning and forex saving need to be analysed, programmed and promoted more coherently than has usually been the case in SSA and as mutually complementary (indeed for some products necessarily joint uses) rather than as mutually contradictory.

Food availability per capita in most SSA economies for most Africans was probably below nutritionally desirable levels in 1970 and has declined since. Even abstracting from droughts and allowing for the abysmal quality of most basic data (and the resulting error margins of all analysis based on it) there is a growing problem of not growing enough food.

Whether this is primarily a price problem is unclear because the prices growers receive for most of their food sales are not well known. Consumer food prices have risen more rapidly than other prices in most African countries for over two decades and official grower prices for food have in almost all cases outpaced wages - and in many cost of living - since the late 1970s. This is not to say that too low official prices may not deter output of specific crops nor to deny the need for more rational and coherent setting of prices with greater regard for grower net incomes, changes in wages and other prices and 'free' market price indicators. These points are now conventional wisdom - and partly (sometimes over-energetically) acted on in most of SSA. The ease and generality with which they can be argued, the

simplicity of price alteration (or abandoning set prices) and the ease of monitoring price change conditions now create a danger that other frequently necessary conditions for price (or any other) policy changes to affect food output will not receive priority attention:

- a. buyers (public or private) who are (or come) to accessible points at known times and pay in cash promptly are critical (and frequently absent);
- b. transport to allow timely procurement and movement of crops and movement/supply of input and "incentive" goods is frequently weak or absent (in both public and private¹⁵ sectors) because of infrastructure and vehicle park deterioration;
- c. inadequate and overcentralized storage facilities frequently lead to peaking of seasonal transport demand, maximisation of transport costs, high storage losses and inability to hold intra-year reserves from good crops especially when there are several good and several bad years in a row;
- d. basic services (health, education, accessible pure water, fuel) are frequently debilitated or never existed with direct negative production effects (time on wooding and watering, illness, tiredness, lack of knowledge) and equally clear disincentive effects as to staying in rural areas at all;
- e. absence, shortages and untimely arrival of both agricultural production inputs (including even hoes in much of East and Central Africa) and of "incentive" (basic consumer manufactures and construction materials) goods have become endemic even in middle income countries like Nigeria. Lack of inputs lowers production potential and without desired goods to buy no price is "real" to the peasant producer;

f. research is usually neither locally field tested, user net income viability tested nor peasant compatability tested so that, even if extended (which it often is not), it is likely to have a low acceptance rate and a lower positive output result. For many food crops in many areas applied research known to be relevant does not exist.

It is as critical to devise food production strategies to identify and to overcome these defects as to "get prices right" - indeed in a number of cases it is probably more so. Prices can certainly cause shifts between or among crops - cross elasticities for substantial relative price movements are usually quite high. But - unless paralleled by measures to allow enhanced productivity - they have much less impact on overall output; most real price elasticities of overall agricultural output appear to be in the 0.3 to 0.5 range historically and with decreased availability of inputs may be lower now. Certainly the gravest problem confronting SSA agriculture - and most peasant households within it - how to raise productivity per producer by means that are both practicable for and economically rewarding to producers can only marginally be tackled by price changes.

By and large all these points relate to marketed food, i.e. to producers with surpluses above household provisioning requirements. But a significant proportion of the African food shortage rests on peasant households who are basically food producers but cannot grow enough to provision themselves adequately. For them higher food prices are irrelevant (or harmful) and cash input intensive packages for increasing food grown to be eaten by its growers usually financially inaccessible. Far more focussed and higher priority attention on how to respond to needs and problems of this group of hungry people who are also food producers is urgently needed in a significant number

of SSA countries.¹⁶

Manufacturing in Africa cannot solve certain problems (e.g. employment) and is often inefficient by most tests. Unfortunately this has tended to cause a lack of attention both to its strengths¹⁷ and to its critical role in stabilisation through renewed development, especially in respect to agriculture and government revenue. In a significant number of SSA economies adequate quantities of many basic agricultural inputs and most incentive goods cannot be manufactured because forex for spares, direct inputs and fuel is restricted so that output is - say - 25% to 40% of capacity¹⁸ and is snapped up in urban areas because of lower time, transport cost and risk factors even though rural prices are higher.

Similarly in several states much of the recurrent budget deficit results from loss of sales, import and company tax receipts directly caused, a fall in domestic manufactured goods output (e.g. virtually all of it in Tanzania where manufacturing output has fallen 50% since 1979). It is very difficult in these cases to see how stabilisation of the government budget can be achieved in the absence of rehabilitation and recovery in manufacturing.

Further cuts in real spending on maintenance and on basic services would be counterproductive. Savings from cutting wasted expenditure and reorganising programmes to achieve targeted outputs at lower cost are certainly possible but the most optimistic reasonable estimates of their short term yields are usually below required increases in maintenance expenditure. Military and pure administration spending is often in principle subject to reduction - how far this is true in practice may be another matter.

Tax alternatives to restored import/sales tax revenue tend to have clear

disadvantages. Higher or restored export and - in at least many cases - higher income and company taxes would have serious negative production incentive effects. Poll (head) taxes and high user charges for basic services are regressive, weigh particularly heavily on vulnerable groups and are often very cost inefficient in terms of personnel and funds required relative to revenue raised.

In the medium term manufacturing - as noted - is critical to the external balance position and to development of regional integration. The issues of cost are real but often are overgeneralised from the worst projects. While protection and state intervention over several decades are certainly not sufficient conditions for building a viable home based industrial sector and breaking through into exports, the cases of Brazil, South Korea and Taiwan - as well as tentatively Zimbabwe in SSA - suggest they are frequently necessary ones.

Physical infrastructure - transport (including rolling stock and vehicle parks), enterprise water supplies, communications, energy and storage - are among the most debilitated sectors in many SSA economies. In addition in a number of cases bottlenecks and overloads can be identified. These raise the cost of production and slow its pace as well as (or even more than) causing absolute direct output losses.¹⁹ Rehabilitation, gap filling and debottlenecking and forward planning to avoid repetition of maintenance/overload/bottleneck problems are critical. The key missing element in almost all cases is forex - in certain cases because external funds are made available for new projects but not for rehabilitation or maintenance units; a problem sometimes exacerbated by a domestic preference for new projects.

Human infrastructure sub-sectors - education, drinking water, health, domestic fuel, housing - are in many cases equally or more debilitated, especially in rural areas. Their importance in making possible present production - through reducing time demands of wooding and watering, saving human energy, increasing health and providing knowledge - are frequently seriously underestimated as is the disincentive impact of their absence or deterioration (in particular on rural-urban migration). Their relevance to future productive capacity (at least for education) and for the quality of life are more widely perceived although their special relevance to vulnerable groups (including women and children and particularly those of poor households) is probably underestimated. In these sectors three priority needs can be identified:

- a. restoring effective coverage and quality (e.g. provision of paper, books, drugs, fuel, pump spares, staff retraining) of what has been created;
- b. redesigning systems away from overconcentration on limited access, high quality - usually urban and upper income group oriented - sub-sectors toward more basic coverage;
- c. filling gaps - particularly in specialised, middle level personpower (e.g. artisans, surveyors, technicians, bookkeepers) training - seriously hindering production and management and, as soon as resources permit, restoring advances toward universal access to basic services.

Institutional infrastructure can be defined as the presence (or absence) of knowledge, expertise, historic memory (e.g. useable filing and archive systems which are used), communications systems, accounting, coordination, monitoring and accountability within institutions, institutional sub-systems and overall. This "sector" appears to have deteriorated radically in many SSA states over

the past few years (partially because workers at all levels have responded to - negative - real wage and salary incentives). Unless it is rehabilitated management and policy capacity improvement will be virtually impossible to achieve. The specific weaknesses and priorities vary among and within countries (management and financial analysis accounting is virtually universally weak or absent and ex post accountability accounting often little better) and are usually so varied and numerous that careful priority setting and sequencing must go into national rehabilitation and development designing for different problems and institutions. Technical assistance (even by international management consultants) can be useful within a national commitment and programme but cannot substitute for them, while much of what is usually called institutional reform constitutes evading facing the weaknesses noted by drawing new organisational structures on paper built in reality on the old gaps and failings.

Data and research infrastructure is another sector which has historically been weak and which has - despite increased resource allocations both financial and personnel¹⁹ - deteriorated in a majority of SSA economies. Again national and institutional diversities are substantial but three general points can be made:

- a. greater prioritisation in terms of critical user needs (e.g. agricultural yield statistics and field - producer viability - peasant useability tested crop research) and better two way communication with users;
- b. attention to having reasonably accurate data available in time to inform decisions (too often erroneous and correct but too late are both frequent defects);
- c. more national and regional cooperation ranging from exchange of

information up to joint training and programmes.

Instruments - Selected Priority Areas

In the area of instruments for implementing policies, projects and strategies nine stand out as deserving priority attention in most - or all - SSA countries: distribution, participation, incentives, micro management, macro-management, public sector effectiveness, private sector, regional coordination/co-operation and external resources. Four further critical instruments - prices, overall economic management, employment and savings/investment increases are reviewed in the next section because they are areas of substantial disagreement (as well as agreement). Distribution and participation are - or can be - seen and analysed or prioritized as ends but are here considered as means or instruments.

Distribution and production are largely co-determined, i.e. who is able to take part in what way in production largely determines distribution. Redistribution after that is secondary. Therefore production support and incentives will largely determine income distribution - a fact not always adequately considered in selection of policies in these areas.

Redistribution can be seen as primary: altering ability to produce and rewards for producing; secondary: provision of basic services (which overlaps as these do raise present and future ability to produce); and tertiary: direct transfer payments (very limited in SSA relative to other regions and, unfortunately, dominantly to middle and upper income groups) and taxation. Any production policy or project - if successful - effects primary redistribution (whether provision of infrastructure, higher wages, grower prices, selection of a

labour intensive project or one in a particular area). The need is to view this impact on a case by case and overall basis to ensure that the redistribution effects of production oriented decisions are overall (not necessarily for each project or policy) consistent with rather than inimical to national distribution targets. That is particularly critical in SSA because resources for significant transfer payments are not and will not in the foreseeable future be available.

Participation is more widely lauded verbally than pursued fully and systematically in practice. Its first aspect of participation in production and second of participation in carrying out policies (e.g. community afforestation, self help inputs into infrastructure) are genuinely sought albeit rarely with enough attention to what peasants and workers say would motivate them to participate. Participation in taking decisions and designing policies/projects is honoured verbally but unevenly in practice, a failing frequently entailing high costs in technical design mistakes and wrong selection leading to poor participation in implementation and/or in operational performance. Participation in the sense of ability to hold officials and institutions - especially external agency personnel and projects - accountable is rarely even endorsed verbally and is usually resisted in practice at least as energetically in SSA (and by external agencies and personnel there) as elsewhere. Setting its political implications aside, this absence of participation in holding to account does damage to the other aspects of participation and helps perpetuate policy and incentive mistakes.

Incentives include prices (producer prices including wages and their relationship to input and consumption good prices). Few in SSA would quarrel with that statement. However, there are other incentives.²⁰ In the context of low and/or falling per capita output these require priority examination and

strengthening where possible precisely because so little can be done on the real price and real wage fronts. These include availability and quality of basic services and basic consumer goods (including construction materials) - areas in which it should be possible during rehabilitation and recovery to do rather more than will be possible on the real wage and producer price fronts. Community and national as well as ideological commitments and as a sense of meaningful participation and a belief that development (as defined by the person) is attainable so that effort is not a pure waste are also critical motivating factors with which economists and economic decision takers find it hard to relate - often to the detriment of the effectiveness of strategy and policy packages. That is particularly true when their initial impact is front end loaded costs and their gains will take longer to be realised.

Micro-managerial capacity at institutional level (in both the public and private sectors) level is an acknowledged pervasive weakness in SSA. Because the worsening national contexts have greatly increased demands on management it is hard to say whether in general - as opposed to identifiable specific cases - it is deteriorating absolutely. That it is increasingly often unable to combine day to day crisis management with normal ongoing activity supervision, annual operational planning and medium term forward planning is only too clear. Corrective measures are priorities. Some have already been mentioned, e.g. under institutional infrastructure. Others relate to training high and - especially - middle level personpower (not least bookkeepers, accountants and auditors). However, certain other contextual problems exist especially, but not only, with respect to government and public enterprise management. These include inadequate powers, enterprise targets and standards of performance and incentives, i.e. to the overall structure and context within which micro management takes place. Hardly unique to SSA, these problems are frequently more extreme and in the context of scarce and

inexperienced managers often more costly in terms of performance.

Macro management includes sectoral and overall decision taking/policy making. Here the SSA record is very varied but skewed toward the bottom end of the scale. The most general problems relate to weaknesses in production, collection, analysis and use of data to inform decisions, design and implement policies and programmes, monitor results, achieve meaningful flexibility responding promptly to correctible deviations from intended performance or other errors. Unfortunately these weaknesses are rarely seen as a cluster of related and endemic problems and still more rarely given priority attention. Failure of coordination and of testing for consistency (particularly by central economic units) is more frequently cited as a weakness but serious action (except by ad hoc expansion of Treasury powers which may or may not be effective) results rather less frequently.

Public sector effectiveness requires subdivision between government and public enterprise. In the first case there is frequently a need to prioritize to see that the most important functions (including these for which there are no realistic private sector or community alternatives) are carried out adequately even if this means totally dropping some desirable but less critical services. A frequent problem following real budget cuts and forex constraints is an imbalance toward personnel who for budgetary or foreign exchange scarcity reasons do not have the resources to carry out their duties. Either less personnel or larger budgetary and forex allocations for complementary inputs are essential to restoring operational balance in such cases.

Recurrent budget deficits are now endemic in SSA - even in countries which achieved regular surpluses to the late 1970s - and do contribute substantially to inflationary pressures. Since real expenditure levels - excluding interest

and production incentive subsidies (which may of course be inefficient and targets for cuts) have fallen significantly in most cases while certain key areas - maintenance and repair generally but also basic health and medical services - urgently need restored real levels, the bulk of the balancing should come from increased revenue. Contrary to popular impression SSA government recurrent budgets are not particularly large relative to GDP²¹ nor is the number of employees as a proportion of economically active population. A case for reprioritisation (including reducing waste) certainly exists; one for general reductions is much less apparent.

Public enterprises also often suffer from overextension and would benefit from prioritisation on a basis analogous to government. They also suffer from the micro-managerial weaknesses noted above - as do governments. However, their efficiency of performance - on almost any criteria - varies widely (wildly indeed) among and within countries; almost no generalisations are valid in that respect. Similarly the reasons for their creation or acquisition, the roles they play and the presence or absence of real private sector alternatives are anything but uniform. Given the wide range of results there is a general case for review and for seeking to bring up the standards of the weakest priority public enterprises toward those of the strongest as well as phasing out low priority, unprofitable ones.²²

Private sector utilisation probably deserves more attention in most SSA economies, albeit since all are in fact mixed economies and fairly certain to remain so this is far more a matter of degree and less one of ideology than is usually supposed. A practical problem is that neither advocates nor critics of public enterprise in Africa really have examined the capacity, viability and efficiency of the private sectors and sub-sectors (large-medium-small, domestic-foreign) in SSA. These vary widely and the advocates of unleashing

the private sector seem at the general level to overestimate them absolutely as well as relative to the public sector enterprises which sometimes are as or more efficient in specific (not all) cases.²³ Two further issues need exploration in respect to more effective private sector utilisation. The first is whether at the large enterprise level it is generally possible. Domestic private capacity is limited. The current economic situation and prospects of SSA are not such as to attract foreign investors except for very special projects or in a handful of countries. Second, economic macro management and micro intervention to balance private sector incentives and broader national economic interest is - in general - not a strong point of African states; overregulation and unintended disincentives and underregulation (by market or other means) and unintended (at least by the state) bonanza donation are all too frequent - often in the same state.

Regional economic coordination is - for most SSA states - a means to broadening the range of viable production and exports, reducing establishment and operational costs for some institutions - programmes - infrastructure and for coordinating development and use of transport and communications facilities. To achieve these ends it needs to be based on perceived mutual interests which usually turn on production and transport with trade as a consequential validating means not an end in itself. This suggests need for rethinking approaches to coordination/cooperation - the orthodox trade preference centred model has a rather resounding history of failure or very limited success perhaps because it can work only within a broader and less rigid frame and certainly one in which "trade diversion", i.e. reducing extra regional import content by substituting imports from the cooperation group largely balanced by exports to it is seen as crucial not undesirable.

"Trade diversion" in fact is a misleading term in the context of substantial

underutilisation of capacity because of foreign exchange constraints and of clear ceilings on medium term global market exports. Substitution of regional imports for those now imported from extra-regional sources (quite possible for a substantial number of products) will not in fact reduce the sustainable level of imports from outside the economic co-operation area but alter its composition. Imports are forex supply not product demand constrained. By the same token, imports from within the cooperation area are often as important as exports to it. Various forms of countertrade (including services as well as goods) will need to be developed on a larger scale if rapid coordination area trade growth is to be sustained since rapid unbalanced trade expansion with growing hard currency settlements by debtors is not feasible and with growing blocked balances/arrears is unattractive to creditors (regional net exporters).

External Resources: Quantity, Quality, Relevance

External resources are critical to achieving stabilisation, rehabilitation and recovery. First, more resources are needed. Second, these should be far less tied to projects and far more generally useable to support rehabilitation and the operation of key existing capacity (e.g. health, industry). Third, for most purposes in most SSA states - with a handful of possible middle income group exceptions²⁴ - grant or near grant money is needed. 9% loans drawn over 3 years and repaid over the next 5 are, in general, totally unsuitable as to cost and duration (even if from the IMF). Fourth, SSA, as stressed by the Commonwealth's Lever Commission²⁴ cannot possibly repay existing debt as scheduled and present levels of debt service plus any plausible commercial arrears reduction programme are quite unmanageable for over half SSA states. Concerted attention to long term debt reconstruction and consolidation as well

as accompanying new money and radical SSA improvement of debt recording and management are priorities for most countries.

External finance is critical to African action being effective. It - unlike African action - requires external initiatives and programme articulation.

Seven urgent things to be done can be identified:

- a. avert the impending decline from \$11,000 million to \$5,000 million in net resource transfers to SSA;
- b. increase annual public sector - national and multinational - net transfers by \$3,000 to \$4,000 specifically oriented to structural adjustment toward stabilisation, rehabilitation and recovery - largely on grant or very soft loan terms;
- c. expand, redesign and extend the drawing and repayment periods of IMF programmes to make them compatible with adjustment toward recovery and with immediate stabilisation and partial recovery of output in key sectors;
- d. provide interest subsidies - e.g. on export credits and IMF drawings - to poor economies;
- e. develop access to intermediate cost credit - e.g. 4 to 6%, 5 years grace plus 10 to 15 years repayment - for lower middle income SSA states such as Kenya, Swaziland and Zimbabwe which are today both ineligible for substantial soft finance and unable to afford adequate capital inflows on commercial (or even IMF - World Bank - export credit) terms;
- f. reschedule SSA external debts within the broad parameters of 5-6 years grace and 10 to 15 years to repay for both principle and

arrears and - on a case by case basis - either lower interest rates or writeoff debt to create manageable short and medium term interest payment and principal repayment profiles;

- g. develop instruments for consolidating and rescheduling commercial arrears at bearable interest costs over manageable repayment periods for the 15 to 20 SSA economies for which these are a serious barrier to regaining external balance and normal methods of paying for (or normal prices paid for imports) with special priority to cases such as Zambia and Tanzania in which such arrears approximate or exceed a full year's export earnings.

At the same time it must be recognised that not all external resource transfers to SSA have been beneficial and that the proportion which are or will not be has been increased by growing foreign exchange shortages and economic stagnation or decline. In this respect three negative imperatives stand out:

- a. cease promoting projects of doubtful (or patently negative) economic value to SSA economies even if they would be beneficial to lender exports. (e.g. a significant proportion of international airport projects);
- b. do not design or approve projects with untested, speculative or clearly inadequate direct and indirect productive potential - a criticism relevant to a large number of 1970's integrated rural development projects;
- c. do not stick rigidly to the dominance of project finance in grants and lending even when the recipient's economic situation and prospects indicate that there is little chance of adequate maintenance or reasonable capacity utilisation ratios except by

cutting back on the maintenance and utilisation of existing productive, infrastructural and service capacity.

Foreign resource transfers should relate to SSA national stabilisation - rehabilitation - recovery - renewed development strategies. The basic responsibility for designing, implementing and monitoring such strategies rests on the states concerned, as does the coordination of particular public and private sources of finance. However, it is both realistic and reasonable to expect that would be sources of external financial support will insist on participating in, setting conditions on and monitoring strategy, policy and programme design, articulation and implementation. If they do so individually in isolation their varying terms and conditions will be an even greater barrier to making any strategy operational without serious loss of time and misallocation of scarce SSA personnel and managerial resources than they already are. If they are coordinated by donor organised groups they are likely to be - and to be perceived by SSA states as being - inconsistent with genuinely SSA initiatives and to repeat or aggravate past experience of overinvolvement of resource providers in project design with serious costs in terms of data, context and operationality errors as well as of genuine African commitment to the project or programme. The road forward would appear to lie with SSA state organised consultative or coordinating groups, joint coordinating groups in each key sector and joint monitoring of the performance of both the resource providing and the recipient states and institutions.

To be useful external resources need to be useable in support of agreed strategies. In the present context of all but a few SSA states this implies:

- a. additional "balance of payments support" finance directed toward increased levels of capacity utilisation in critical sectors (e.g.

agriculture, industry, health, education) including current production inputs;

- b. a parallel increase in priority to rehabilitation programmes (with particular reference to infrastructure but also to agriculture and industry);
- c. selective support for new capacity prioritised in terms of breaking existing or avoiding medium term bottlenecks (e.g. in electricity and in commercial water supply);
- d. finance in support of export (including regional and sub-regional export) expansion including revolving funds to enable enterprises to purchase imported inputs and to extend export credit;
- e. financial cooperation with SSA economic coordination initiatives and their priority programmes including general eligibility of coordination group members (and other SSA economies) to bid for contracts financed by grant or concessional loan funds;
- f. funding of programmes designed to limit losses from economic malaise and from production oriented adjustment strategies to vulnerable groups (e.g. the UNICEF/Danida rural basic drug project in Tanzania);
- g. give enhanced priority to coordinated international - regional - national programmes of applied research (especially in agriculture, forestry and health) of direct relevance to SSA economies;
- h. be willing to provide the full direct and indirect foreign exchange cost of projects and programmes (either singly or in collaboration with other external sources) and to fund at least a substantial portion of unanticipated cost overruns to avoid unsustainable drains and diversions of recipient states limited free foreign exchange resources and to avoid delays and cancellation or prolonged renegotiation of projects because the SSA side is in fact unable to put up the indirect import cost component.

- i. in programmes not containing large balance of payments support and rehabilitation components which will directly or indirectly reduce the recipient government's domestic financing requirement (and in countries with excessive domestic financing requirements resulting from objectively insufficient revenue bases despite fiscal effort and prudence in spending) include a portion of government local cost finance in the external grant and soft loan support.

Areas Of Controversy And/Or Confusion

Seven areas appear to generate substantial controversy - part real, part arising out of diverse concrete case and part out of confusion of terms. These are efficiency, prices, protecting vulnerable groups of people, population growth, raising savings and investment rates, employment and supply and/or versus demand management.

The problem surrounding efficiency is that it requires specific qualification as to efficiency for what purposes and to whose benefit. It is not logically possible to say whether an allocation, policy or enterprise is efficient until its goals and intended beneficiaries are specified. (Inefficiency in the extreme is easier to define - allocations, policies and enterprises inefficient on almost any test abound, and not only in SSA.) Import non-intensity, export intensity, total scarce resource cost, profitability, contribution to real GDP etc are all valid criteria of efficiency in a number of contexts - unfortunately they do not necessarily give the same answers or rankings. Further present and future efficiency often diverge so that time discount - and avoiding dead end - issues arise. So too do preferences - Uganda's macro-magendo (monopolistic parallel economy) system in its heyday

was in some ways a very efficient one and one which arguably had more potential for achieving accumulation, structured change and economic reconstruction than its successor, but it was such a humanly appalling system that not even fervent free market advocates chose even to consider backing it.²⁶ Most cases are not that extreme, but political economic preferences are real and overriding them also has costs.

Prices (including exchange rates) are not an area of total disagreement. They are critical in respect to incentives and to overall and micro-economic management. As such they need to be made/allowed to be consistent and to be managed to facilitate regaining viable external and domestic balance positions. Up to that point there is general agreement - and that agreement suggests the need for substantial price - including exchange rate - changes in many SSA economies. The real issues seem to be:

- a. how much price management is needed and for what purposes - i.e. how imperfect are SSA markets under present conditions of extreme scarcity?
- b. how generally appropriate is the price mechanism for basic services (e.g. health) and for other goods whose broad use has external economies to communities and/or countries?
- c. how far can economic management via prices go and in what cases should what other economically based allocation devices be used, e.g. bank credit? foreign exchange? certain basic consumer goods (in general and/or to rural areas in particular)?
- d. how generally can tax/subsidy price incentives be used - e.g. is the proposal to use packages to deter and reverse deforestation and bush cutting, soil erosion and similar economic degradation by poor peasants a practicable (or an efficient) one?

- e. how fast can major adjustments be made without fracturing already weak structures or setting off inflationary forces which rapidly cancel attempted 'once for all', 'shock treatment' changes (e.g. in exchange rates)?²⁷
- f. when do the benefits of certain types of price manipulation, e.g. efficient production cost plus based price controls, uniform farmgate prices, pre-set seasonal or multiyear prices for crops outweigh the costs?

These are all legitimate questions which are in danger of being obscured or answered at a sweepingly general level when in fact the answers vary significantly from country to country, price to price and time to time. Workable answers can only be formulated in specific contexts by those who will have to work them and live with the consequences. Further they will need regular review and - like prices themselves - to be changed from time to time.

A related set of arguments turning on prices are really about income distribution and - unfortunately usually tend to be conducted on both sides with little effort to estimate what the actual impact would be. For example in Tanzania proposals to close the recurrent budget deficit, increase overall enterprise profits and raise real grower prices 25-50% at one go would require lowering real wages, salaries and informal sector incomes at least 50% (following a 50% average 1979-83 fall). This is politically impracticable and, given that the minimum wage's purchasing power is about 25% below the average peasant household cash and self provisioning (food housing) real income while wage earner average productivity is substantially higher, would seem to pose economic efficiency and equity problems as well as presupposing that wage earners do not respond to economic incentives and disincentives (to disincentives by moonlighting, theft, corruption and a number of other

practices whose personal economic efficiency is high but whose systemic cost is probably even higher). Within a context of stagnant or falling national purchasing power (physical GDP adjusted for terms of trade changes) there are in the short run few or no degrees of freedom for raising any broad group of real incomes significantly - by relative price changes or any other route - unless an almost immediate net gain in production equivalent to the real income increase can be anticipated with reasonable certainty, or unless soft external finance to cover the costs to other groups is available.

Protecting vulnerable groups is partly a matter of economic prudence because in SSA children²⁸ and women are among the most vulnerable and the medium term economic cost of not protecting them is high. However, for other vulnerable groups - especially farmers and pastoralists pushed into sub-marginal, high risk areas and much of the urban informal sector - the political economic case is more humane or social and/or political than production economics based. As the Lever Report commented 'erosion in living standards has pushed their peoples to the margin of tolerance'²⁹ - a point truest for vulnerable groups.

One protection - and one which has been fully maintained in few if any SSA economies - is continued access to basic services and a second - which has been eroding - is drought or famine relief (including food-for-work rural construction schemes as in Zimbabwe). The basic answer however must include making it possible for members of these groups to raise productivity and reduce risk. This requires research on what is practicable in any actual context and a recognition that in cost/production benefit terms the payoff will be low and that the additional output (or its proceeds if sold) will be virtually 100% consumed by the producing households. In urban cases removal of petty regulations - e.g. licensing, banning various types of vendors and

other service sellers - and fees - e.g. on standpipe water and on petty trading - can be valuable out of all proportion to any revenue or other loss.³⁰

Subsidies and transfer payments cannot be a general answer - they cannot be financed. Some selective ones may be practicable, e.g. noon or morning school meals, semi-subsidised employment for crippled or blind persons with no relatives to support them but not much more. This is an area in which the private and voluntary sectors - as well as the more traditional extended family and kinship groups - should be mobilised to help.

There is a growing awareness that production oriented strategies and heavy reliance on market pricing do threaten vulnerable groups.³¹ The debate is on what groups are seriously at risk, how they can be shielded and what approaches are cost efficient.

Rapid population growth requires resources before it raises output and in the context of limited fertile land with dependable rainfall and low increases in output per hectare exacerbates the food availability crisis. Quick successions of pregnancies are damaging to child and mother health and to family ability to feed, clothe, educate the children. That much is broadly (or at least increasingly) agreed whatever the debates about optimum population size. Crude pro-natalism is on the whole in retreat.

However, what instruments are effective in reducing birth rates is less agreed with a tendency for proponents of one instrument to ignore others. Education - for mothers and for children - is associated with smaller (and better spaced) families as is lower infant mortality. Historically falls in birth rates have been associated with increases in old age security (not necessarily

by state schemes) and increases in real incomes (including of poor households). These conditions will prove hard to meet in SSA. In their absence more demographic research and state pronouncements (except perhaps on child spacing) will have relatively little impact and access to family planning knowledge and hardware (desirable though it is and together with the other elements effective) a real but usually quite limited one. In particular to view lower population growth as an attainable short term alternative to higher growth of food production is grossly unrealistic.

Raising domestic savings ratios in SSA today may not be a generally plausible or desirable objective until exports rise substantially relative to GDP or external resource flows increase significantly. In the context of severe foreign exchange constraints in which earned import capacity can at most cover critical operating imports plus external interest payments, domestic savings ex post cannot by definition exceed the true local content of GFCF allowing for indirect as well as direct imports, i.e. it is limited to 35 to 50% of it. An attempt to raise them ex ante is likely to fail and to reduce use of productive capacity or to build up 'investment' in stocks of goods which can in practice neither be exported nor used directly in GFCF. If it succeeds, a shift from consumption to saving will, because of the above average import content of GFCF, only be made possible within constant forex use by a consumption cut two or three times as large. Certainly capacity growth will be enhanced but at the cost of falling capacity utilisation and lower total present output.

Under conditions of falling real per capita income and substantial excess capacity, stabilisation and recovery are likely to be pursued more effectively by seeking first to restore output growth to levels at least equal to that of population and only then seeking to rebuild overall capacity growth rates to

similar levels. If overall capacity underutilisation is 15-20% (for Zimbabwe in 1984 it is likely to be 15-20%) then 4 to 5% growth of output and 3% growth of capacity would still leave capacity utilisation at or under 90% in 1990. Over that initial period GFCF should be concentrated on bottleneck breaking and laying foundations for regaining external balance not on attempting to force up capacity growth rates in general.

These constraints do not bind so tightly once significant export growth is achieved or if additional foreign resource flows allow substantial rehabilitation and recovery. Nor do they mean that recurrent government and public enterprise budget balance should not be sought, but that the reasons for so doing in much of SSA at present relate to micro and macro management rather more than to increasing total savings.

Employment - in the sense of productive wage or self employment - is critical to SSA economy extrication from economic malaise at the macro and even more at the household level. Since SSA has relatively plentiful unskilled labour its more productive use is logically central to any production enhancing/scarcce resource economising strategy. Equally production which excludes much of the labour force will exclude many households from distribution. Both points lie behind the switch of emphasis from large farms - which are for most crops and under most conditions in SSA³² both cost and foreign exchange inefficient when compared to many peasant producers and also do not touch the problems of low income rural households except to render them still less soluble by diverting both resources and markets - toward peasant producers. They apply more generally if serious attention is paid to how labour intensity can be augmented and unskilled (or newly semi-skilled) labour productivity enhanced - a task which has rarely been seen as a policy priority although it would seem to be so both from the production and distribution/participation viewpoints.

What attention there has been has usually overconcentrated on manufacturing - not in fact the largest nor the most hopeful sector in terms of technology shifts to expand employment consistent with constant costs - and paid too little attention to construction, maintenance and repair and other services.

In a different sense employment in the public (and large scale private) sector is a problem because reduced output (usually for forex but sometimes for market constraint reasons) has reduced productivity and created an imbalance in outlay while falling real wages have eroded incentives and thus yet further lowered productivity. Unless output - whether in health, education or a directly productive enterprise - can be restored, a real case exists for reducing the numbers employed and using a substantial part of the savings to increase the real wages of those still employed.³³ For example the lack of inputs, vehicles and fuel, knowledge to external and training means that at least half of Tanzania's 50,000 odd agricultural extension workers have negligible productivity. As many are in effect peasants of slightly less than average efficiency (from being out of practice) a case can be made for a 50% retrenchment combined with a 25% wage increase and more complementary inputs for those still employed. The problem with this approach - apart from the serious one of opposition by a well organised group of losers - is that it may create a new vulnerable group requiring support to reestablish itself.

Demand vs supply management disagreement tends to set discussants at cross purposes because of the varying meaning of the terms. Demand management - whether Keynesian or IMFist - tends to concentrate on macro monetary aggregates. In the context of SSA it is concentrated on reducing resource use to correspond to supply. Macro aggregates are important - but far from everything. Achieving balance is a priority for attaining stabilisation but since the present crises are dominantly supply collapse initiated and manifest

themselves in capacity under-utilisation and specific resource imbalances not generalised overheating a strong case exists against unselective macro demand cutting as the prime route to stabilisation.

Supply management has two very different strands - macro ideological (as in Laffer Curves) and micro contextual (as in World Bank structural adjustment programming). The relevance of the former to SSA is arguably very limited. The latter is critical. Restoring supply and altering its structure to remove specific imbalances (e.g. in food, energy and farex) is the basis of restoring balance to provide a basis for recovery and sustained growth through pushing available resources (supply) back up to previous levels of resource use (demand). Whether SAP's as now designed are optimal is an important but secondary issue - they are serious attempts to achieve adjustment by increasing production not cutting demand (and under SSA conditions further reducing production). While they should be a complement to and further stage of IMF adjustment programmes designed to stabilise, in fact, they are increasingly incompatible with them because IMF style stabilisation - even in SSA - is based on a short term, macro monetary model which virtually requires that demand cuts (and perhaps increased GFCF) not capacity utilisation and rehabilitation receive pride of place. There is an urgent need to reconcile initial stabilisation with parallel rehabilitation and subsequent recovery - stabilisation without adjustment which can lead to recovery, let alone stabilisation which prevents such adjustment, is hardly worth having.

Applied Political Economy and Parameters: Degrees of Freedom and Necessity

Any exercise in structural adjustment that goes beyond the verbal stages is by definition an exercise in applied political economy not pure economic theory

or technical optimality. Whether this is a good thing (as the author on balance supposes) or a bad thing (as the World Bank frequently suggests) is somewhat beside the point: it is an objective reality just as much as the levels of rainfall or the need to restore levels of critical imports.

That statement has definite implications. Applied political economy beyond the most general principles exists and operates in specific contexts and within specific constraints and parameters. It is never value free - even though the values and decision taking coalitions who back and intend to benefit from them vary from state to state, over time and usually to a degree from sector to sector and institution to institution. To attempt to abstract from these contexts, parameters and values (whether by ignoring them or by seeing, condemning and prescribing in contradiction to them) is an exercise in partial or total futility. When it ignores or repudiates basic goals and values of the dominant decision taking coalition it is likely to be heard as a call for political and class coalition structural change or even for revolution. If that is what is intended the exercise has a point (especially if it is by Africans who in some sense speak for significant numbers of their fellows) but its point is radical political change not - until that political change is achieved - that of applied political economy. Too many external prescriptions either accidentally or willfully ignore this fact.³⁴

Contexts, parameters and goals/values do change and evolve. At any time there are likely to be degrees of freedom within them - often quite significant ones. Over time changing them is a logical and fairly standard objective of applied political economy. But to utilise degrees of freedom or to alter constraints requires prior identification of what they are. The designers, articulators, validators and implementers of applied political economy can and do make economic history but they cannot do so in any way they may wish. To

attempt that doubtless creates economic history but the economic history of ineffectuality, failure and/or unintended and undesired results. To take the political out of political economy is possible - as is the dehydration of water - but for purposes of extricating SSA economies from their current economic malaise the one product seems to be as likely to be useful as the other.

Parameters - e.g. import to GDP, import to GFCF (gross fixed capital formation), overall and sectoral production growth trends, output-employment ratios, debt service ratios, current external account trends and productions, factor share distribution ratios - are important to the applied economic strategy of stabilisation through renewed development in two very different ways. In the short run they offer guides to what constraints are binding and what degrees of freedom exist. For example, if the direct import content of GFCF is 45% and that of other production (including the domestic component of GFCF) is 20% - roughly the position in Zimbabwe - then raising GFCF by any given amount within a constant total expenditure requires .36 times that amount more imports (.45 plus .2 times .55 less .20) while to make the shift with constant foreign exchange availability will require a reduction of consumption by about three times and of total current output by about twice the increase in GDP.

This revealed constraint suggests exploration of degrees of freedom in types of investment (e.g. most buildings and works) and methods (e.g. labour intensive construction) which are less import intensive and/or less capital intensive (e.g. shallow wells instead of boreholes) if they are technically feasible and relevant to the particular purposes for which the investment is needed. In the short run these may be fairly limited, in the medium they should not be negligible.

However, the second guide - for priorities over the medium and longer term - from identifying constraints - is to focus attention on how the constrictive parameters might be altered. In the case cited the broad implication is of a priority for increased volume and range of inputs into investment, ie construction materials, specialised contracting services, plant, transport equipment and machinery. In the specific case of Zimbabwe which has an integrated iron and steel industry and an engineering-transport equipment-spares and machinery sector but a relatively weak articulation between the two it strongly suggests investigating how steel industry rehabilitation and expansion could be structured to increase linkages with the metal using GFCF oriented sectors and thereby to increase the national integration and reduce the direct and indirect import content of investment.

It is important to know and to act on parameters in both these ways. To ignore their short term constraint implications (or the degrees of freedom within them) is usually a recipe for attempting - and failing - to reach the impossible by failing to recognise its impossibility (or by passive acceptance of the correctible as inevitable). However, to accept these constraints and limited degrees of freedom as permanently binding is to fail to recognise the possibility of creative structural adjustment and to fail to seek - or to achieve - what would have been possible by failing to identify the possibility and the route to achieving it. Freedom is, at least in this context, the right understanding of necessity - of identifying what is (and is not) possible, when and how.

Notes Toward the Beginnings of Revival

SSA's economic malaise can be overcome. There is a growing body of identification of causes and of areas in which action is needed plus - less clearly - what action is both desirable and practicable not merely at sub-continental but, more important, at national, sectoral and local levels. With a lag this knowledge is coming to inform the attitudes and priorities of a growing number of African decision takers, states and institutions and - more slowly - of external agencies and decision takers relating to SSA.

However, several elements toward the beginning of revivals are less evidently or at least less generally present:

- a. A realisation of how serious the problems and prospects are, e.g. how much capacity has been eroded, how fast debt service is likely to cut net capital inflows, how little benefit SSA will - without significant structural change - gain from trickle out of plausibly projected OECD recovery;
- b. a parallel realisation of how urgent it is to articulate and execute coherent strategy and policy changes both because failure tends to become self-perpetuating and because the time lag between execution and initial positive results is likely to be 12 to 24 months and to full recovery 5 to 10 years;
- c. a partly consequential failure of Africans to inform and educate Africans as to the realities and the options open to them in order to mobilise support for renewed (and painful) effort based both on an appreciation of how dire realities, and how restricted options, are and on a belief that something can be achieved;
- d. adequate levels of external resource flows which are in fact usable

to support strategies and agendas of the type discussed and which are made available fast enough to allow implementation to begin (and the strategy to be perfected during its operation) not delayed so long that the underlying situation has worsened so much as to require a basically new (and poorer) strategy/policy package;

- e. enough African involvement in intellectual explanation and dialogue and especially in strategy - policy - praxis design and articulation, enough recognition among external actors that without such involvement the success of any strategy or agenda is improbable or of having and displaying enough respect for and interaction with African initiatives - even if they, like the external ones, are to date imperfect and incomplete.

The last point may require elaborating. Evaluations of aid efficiency at project level show that lack of substantive technical and decision taker African involvement in design and execution regularly leads to avoidable contextual and data input mistakes, to low operating efficiency, to non-accountability (or to external accountability incompatible with coherent national policy making and implementation) and to lack of national commitment ('their' project not 'ours'). These costs are likely to be even more severe at sectoral, macro-economic and macro-political economic levels. Strategies and their articulation can - to a point - be imposed on desperate countries but they are unlikely to avoid major technical flaws, to be implemented more than grudgingly and partially or to yield the intended results of their sponsors - as a number of institutions have presumably discovered in Zaire over the past decade.

Verbally this reality is widely accepted. In practice it is not. African designed stabilisation and recovery programmes have not to date received

serious external consideration if they have been in the least unorthodox. Proposals for external cooperation coordination call for donor (not jointly) staffed and operated secretariats, lead donor (not national or 'neutral' agency) convened consultative meetings, lead donor (not joint) monitoring of performance of commitments and nature of results. Whether extra African individuals and agencies know more about SSA than Africans is open to doubt (in some cases and areas perhaps so); that only Africans and African bodies are primarily and permanently committed to achieving African development and that they will reap the main costs of failure is indisputable.

This is not to deny the importance of reinforcing African knowledge and institutional capacity through transfers of knowledge, technology and personnel embodying them to be selected and used by African governments, institutions and enterprises. More such transfers are needed albeit with better quality control, selectivity, realisation of divergences in national needs and absorptive capacity and humility as to capacities and limitations. But far more than now they should be chosen by Africans, work within African institutional contexts, be meaningfully responsible and accountable to Africans and have limited (whether line or staff) autonomous powers. 'Have a headache? Take two expatriates.' has worked well as a technico-managerial capacity prescription for a few SSA states but it is neither generally practicable nor desirable even in the short run and is inherently dangerously addictive. As with other crucial sectors, expatriate personnel are priorities for import substitution - and as in respect to most sectors that import substitution is never likely to, and rarely should, reach 100%.³⁵

These elements - recognition of seriousness and urgency, mobilisation, external resource flows, African involvement and leadership together with external acceptance of and respect for it - are in themselves urgent and

serious. They are elements toward whose construction academics and intellectual technicians can, at the highest estimate, play only a supporting role. And only in respect to external resources and external acceptance of African leadership in respect to SSA recovery can the dominant motive force be external. Even in those areas external response might well be more positive if SSA governments, decision takers and intellectuals were more and more creatively assertive.

External finance is not a sufficient condition for turning SSA economies around. But for most it is a necessary condition for doing so in the foreseeable future. First, the impending decline in net real external resource transfers to SSA must be averted and substantial additional resources deployed in support of stabilisation, capacity utilisation and rehabilitation. Second, debt rescheduling should be carried out on a basis leading to manageable interest and repayment profiles for all external obligations including arrears even if this requires extended grace periods, very long repayment schedules, interest reductions and/or writeoffs. Third, resource transfers should be on terms and conditions and for uses consistent with the strategies needed for stabilisation - rehabilitation - recovery and renewed development which implies a significant reduction in the proportion directed to new capacity creating projects and an increase in the share allotted to structural adjustment including capacity utilisation and rehabilitation. It also implies that as a general rule project and programme finance should cover full direct and indirect import costs and in some a proportion of public sector local cost requirements as well. Fourth, because the costs of adjustment tend to be "front end loaded" (early) and the gains "back end loaded" lagged, external finance should be used as one means to make the early costs sustainable and in particular to protect vulnerable groups.

Fifth, to the extent that substantial additional disbursements are not provided, both the amount and duration of rescheduling and the shift of emphasis from new capital projects to capacity utilisation, maintenance and rehabilitation support will need to be increased. Neither rescheduling - especially for countries such as the Sudan, Ghana, Tanzania with very low ratios of present exports to minimum necessary imports cannot make either rapid or secure progress toward stabilisation without substantial increases in new funds disbursed - nor alteration of uses and increased flexibility can be an adequate substitute for increases in funding. However, there is a tradeoff of sorts - the less increases in new funding are provided the greater the urgency of increased flexibility, reduced project tying and both more and more extended debt rescheduling.

It is necessary to approach the struggle toward agendas for SSA stabilisation - rehabilitation - recovery - renewed development with a clear realisation of how difficult the task will be and how long it is likely to take. Facile hopes - and optimistic projections whether of export growth, external resource flows or probable results and dates of gains from domestic policy measures - have been one of the banes of both internal and external efforts to date; dashed hopes and broken efforts have made the current task all the harder.

However, it is equally necessary (at least for those whose interest is more than intellectual) to approach the struggle with a belief that something can be achieved, that economic malaise can be overcome and political economic development renewed. The belief in powerlessness and the certainty of failure is almost always self-validating.

Both optimism and pessimism are needed but not the optimism of the intellect and pessimism of the will which have characterised too many efforts to date.

What is needed is pessimism of the intellect (including recognition of past errors, especially one's own, and scepticism about the extent of one's knowledge and the present perfection of one's measures) and optimism of the will. At the least it is possible still to be among or to stand with those SSA peasants and workers, intellectuals and managers, businessmen and civil servants, community and political leaders who 'remain undefeated ... because we have gone on trying'.

Notes

1. See e.g. World Bank, Toward Sustained Development: A Joint Programme of Action for Sub-Saharan Africa, Washington, 1984; P. Ndegwa, L. Mureithi and R.H. Green (editors), Development Options for Africa in the 1980s and Beyond, OUP, Nairobi, (in press); C. Allison and R.H. Green (editors), Accelerated Development in Sub-Saharan Africa - What Agendas for Action, IDS Bulletin 14-1, January 1983; World Bank Accelerated Development in Sub-Saharan Africa: An Agenda for Action, Washington, 1981.
2. United Nations Department of International Economic and Social Affairs.
3. This is contrary to the view given in the Bank's Accelerated Development Report (op. cit) and was not identified in earlier critiques of that report, e.g. Allison and Green (op. cit).
4. Optimistic in the sense that the global context is likely to be less favourable/more unfavourable.
5. See, e.g. World Bank, World Development Report, 1982, 1983, 1984 and Toward Sustained Development, op. cit.
6. cf. e.g. A. Kamarck, Economics of African Development, Pall Mall, London, 1967, in which he projected 7% trend growth in SSA from the 1970's on.
7. Zimbabwe macro and sectoral data suggest that with no terms of trade changes and a 6% export growth rate plus continued financing for a \$400-500 million current account deficit, a 4 to 5% GDP growth rate and a 2 to 3% capacity growth rate could be achieved over 1985-1990 - a better result than could reasonably be projected for a majority of SSA economists.
8. Except for children and perhaps women, concern for such groups cannot be based primarily on production, let alone surplus generating considerations.
9. Many present transfers are unsuitable because tied to relatively low priority capital projects on at too high interest rates/too brief repayment periods to be compatible with realistic estimates of transition to stabilisation through renewed development. IMF drawings fall in the logically unsuitable category both as to terms and as to rates.
10. Import makeup often needs changing and import to GDP ratios may be reduceable, but in a majority of SSA economies almost all non-essential and many essential imports have been cut and the import/GDP ratio is unsustainably low because maintenance imports are being 'deferred'. As G. K. Helleiner has demonstrated SSA economies are very vulnerable to import fluctuations and significant declines are almost always accompanied by serious overall weakening of their economies. The relationship between GDP and imports is two way, stagnation or decline of

either causes as well as being a result of stagnation or decline of the other.

11. Because the growth rates of savings and of exports will need to exceed that of GDP, consumption growth will be lowered.
12. Toward Sustained Development, op. cit.
13. See ibid and, e.g. "The World Bank's Agenda for the Crises in Agriculture and Rural Development in Africa: An Introduction to a Debate" by J.C.N. Paul and following papers by K.Y. Amoaka and S. Please, R.H. Green and M. Schultheis in African Studies Review (forthcoming) and Ndegwa, Mureithi, Green, op. cit.
14. For a fuller discussion see - e.g. - John Williamson, IMF Conditionality, Institute for International Economics, Washington, 1982 especially concluding chapter by Williamson and Tanzania chapter by R. H. Green.
15. E.g. in 1983 50 to 75,000 tonnes of (Irish) potatoes - a private sector marketed crop - rotted in Tanzania because of lack of buyers and transport, thus directly increasing grain import needs by about the same amount.
16. Famine relief clearly cannot be seen as a satisfactory permanent answer from either the state or the peasant point of view.
17. For a fuller discussion see M. Fransman (editor), Industry and Accumulation in Africa, Heinemann, London, 1982, especially chapters by M.A. Bienefeld, A. Coulson, M. Fransman, R.H. Green.
18. This frequently represents a decline from 60 to 70% capacity utilisation rates in the late 1970s.
19. This is particularly true of agricultural research where increasing financial and personnel support since the 1960s has paralled declining agricultural output.
20. These are less relevant to profit incomes but are partially so to small and medium scale owner/operators.
21. cf. C. Colclough, "Are African governments as unproductive as the Accelerated Development Report implies?" in Allison and Green, op. cit.
22. If they are profitable then there is no general case for closing them.
23. E.g. in Tanzania in the middle to late 1970s the large scale public enterprise manufacturing sector had higher capacity utilisation ratios than the private (IBRD and ILO data) and higher ratios of profits to output (admittedly based on company tax data), while in 1983 analysis of several major sub-sectors of manufacturing showed substantially higher average output value to foreign exchange allocation ratios for public

than for private enterprises. Similarly ratios of growth to retail price in private sector marketed staple food crops (e.g. Irish potatoes, cooking bananas) do not seem to be higher than for public sector marketed grains.

24. For the middle income countries there is little chance of mobilising much truly soft finance - 10% and 5 plus 10 years (e.g. World Bank, some export credits) appear to be the best nationally achievable terms for the bulk of their external finance, and may be just useable in medium term stabilisation through development strategies.
25. The Debt Crisis and the World Economy, London, 1984.
26. The author emphatically does not dissent from this general rejection of magendo.
27. Sometimes - in a moderately strong economy able to offset the worst costs for selected groups, e.g. minimum wage earners and peasants - massive, rapid changes can work. In 1974 Tanzania did adjust prices, incomes and taxes to 1972-74 oil, grain and general import price increases over six months, and then regained rough balance and 10% inflation within a year.
28. See R. Jolly and G.A. Cornia (editors), The Impact of World Recession on Children, (World Development 12-3, March 1984) especially articles by Jolly and Cornia, R.H. Green and H.W. Singer and K. N. Raj.
29. The Debt Crisis, op. cit.
30. Most such fees, taxes and regulations are cost inefficient and control inefficient.
31. The World Bank now appears to accept this position and also the need to devise "cost effective" means to shield vulnerable groups, but has devoted little attention to defining what that might mean in practice.
32. There are exceptions, and a major present large farm sector should not be run down unless and until adequate replacement production has been built up.
33. While the World Bank has not overtly proposed this combination of employment cuts and wage increases, the logic of its present position - that public expenditure requires further pruning, employment and wages are now too large relative to complementary inputs and that key sector - e.g. health, education, agricultural research - wages and salaries are often too low to provide adequate incentives - would seem to lead to it.
34. At least one would like to hope they do! Some do not - they recognise it and seek to use this applied political economic prescriptions to secure basic political change. This may well be defensible in respect to regimes such as those of Nguema, Amin, Bokasa, Botha (in South Africa or a fortiori Namibia) but appears to be used rather more widely.

35. The diversity here is - or should be largely temperal. Ghana - if a dynamic of recovery and of hope could lead to an ingathering of its widely dispersed personpower - needs far less, far less generalised and far less long stay personnel and more specialised and selective knowledge inputs than Tanzania, Tanzania than Botswana and Botswana than Namibia at independence. Similarly a new sector or project - e.g. petrochemicals in Mozambique, railway operation in Botswana, oil production in the Cameroon - initially needs far more external knowledge and personnel inputs than it should a decade after its establishment - e.g. any of those sectors in Algeria.