

REFLECTIONS ON THE STATE OF KNOWLEDGE AND WAYS FORWARD

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"To plan is to choose; choose to go forward", President Julius Nyerere

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 population groups, and of institutions and enterprises -- and disagreement over degree and detail, but the overall record of lack of success is both plain to read and broadly agreed (1).

There is less agreement on the record of the decade of the 1970s, because it is much more diverse by country and by sub-period. In the period 1970-73, and even more so in 1974-75, sub-Saharan Africa's overall record was poor relative to the 1960s, as well as relative to all developing countries as a group. On the other hand, growth during 1976-79 was -- for Africa as a whole -- at least 5 per cent annually, well above its own historic average and of the same magnitude as that of the developing countries as a group (2). Within that average there was wide diversity: several economies showed continuing weakness, and there was also a general weakness in the agricultural sector, especially in the industrial and export crop sub-sectors. But for the majority of sub-Saharan economies it is not historically accurate to see the 1976-79 period as one of continuous drift toward stagnation and decline, or of failure to overcome 1973-74 external shocks (3).

An understanding of the record of the 1970s is important and does not deny the generality or depth of the post-1979 decline. That record suggests that the direct causation and timing of the post-1979 decline was largely exogenous and that, except in a handful of cases, a decline in national command over resources, not a rapid increase in expenditure, was the driving force behind growing external and internal imbalances. While this perception does not alter the need to respond to the present crisis, it may well alter perspectives on how the responses should be structured.

The prospects for the next decade are but little better than the record

of the past half decade. On relatively optimistic estimates (4) as to the international economic and financial contexts, the World Bank projects maximum likely sub-Saharan growth rates more or less equal to population growth during 1985-1995 (5). Since these projections assume increased shares of exports and of savings, they imply continued falls in real per capita consumption. Such reductions in consumption would follow the 15-20 per cent reductions (in several countries over 33 per cent) since 1979, to levels near or below those of 1970 or, in extreme cases, 1960. Again there are national exceptions, and a margin of error in projections (6), but -- unless something is done, rapidly, generally and backed by adequate resource allocations -- the general message is that on present trends most sub-Saharan economies are, at best, bound for a decade of stabilised stagnation (7). The need for action is only too clear and the costs of delay are already high and rapidly escalating. 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. Lack of inputs and of maintenance is not merely causing current losses but rapidly undermining the very productive base on which recovery must be built. In political and national terms continued stagnation makes the mobilisation of energy ever harder: confidence in the ability to succeed is increasingly eroded by repeated failures, whatever their cause. Unfortunately, both nationally and internationally there is often an unhappy mix of frenetic, ill thought out attempted action, which proves unsustainable, together with interminable debate and negotiation over secondary issues.

The backdrop to the prevailing economic malaise, and the urgent need for action, do not by themselves define solutions. But the need for structural change, at least economically, is no longer at issue even if its nature, diversity and phasing are. Certain essential elements can be identified:

- the basic barriers to stabilisation, recovery and renewed development must be addressed;
- the present potential to produce, and present opportunities to restore both production and human welfare, must be utilised;
- enough resources must be allocated or reallocated to meet priority targets;
- while there must be a realistic perception of the limits to what can be achieved rapidly, there must also be an appreciation of the limits to which per capita stagnation or decline can be borne without evolving into something much worse.

It is doubtful whether more than a handful of African economies are capable of movement on all four elements; certainly they cannot in most cases be met without either increased or at the least radically altered flows (8) of net foreign resource transfers (9). Certainly, import strangulation is a major cause of the present economic malaise and a major barrier to overcoming it (10).

## Responses to crises

The proposition that the sudden worsening of sub-Saharan 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. What can be done? The simplest response is to seek to strengthen existing institutions and policies 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 fairly strong initial external balance position, and more moderate external shocks than are typical). When this option was pursued in the face 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, the efficiency of institutions and of policies; and to exacerbate the decline in output.

A second approach is to maintain basic strategic goals but to reformulate targets, priorities and sequences, for example: increase the emphasis on export expansion in order to limit cuts in critical imports; stretch out programmes to broaden access to pure water in order to release funds to maintain and rehabilitate existing systems; cut investment in new projects so as 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 sub-Saharan economies retain enough strength and balance to be able to follow this course, optimal though it would appear to be.

A third approach is to alter the basic strategy -- and therefore 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.

It is clear that action which amounts to restructuring and rescheduling in one country, can amount to abandoning goals in another. In Botswana and Tanzania abandoning the specific medium-term goals of universal access to basic education, primary health care and pure water would be a major political shift, but in many other countries such targeted policies have never been serious operational goals and their formal abandonment would scarcely affect political credibility. Thus while there are political constraints on possible changes in all sub-Saharan states, their significance depends on a blend of several factors: the specific socio-economic structures, the makeup of the dominant sub-class coalition (and the probability of its changing), the perception (by workers, peasants, managers and proprietors as well as political leaders) of what is crucial in political/economic terms, and the economic record 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, has little prospect of either economic efficiency or sustained viability.

Emergence from economic malaise can be divided conceptually into four stages:

- stabilisation. i.e. halting absolute decline, and limiting per capita decline, in order to create a foundation from which to re-build;
- rehabilitation of eroded capacity in production, infrastructure, basic services, institutional competence and policy making/implementation;
- recovery. basically rehabilitation plus investment to overcome critical bottlenecks, to raise output and consumption to aggregate levels approximating those of 1979 (and to per capita ones approximating 1979 for food and basic services), and sustain growth of aggregate production and consumption (11) at least equal to that of population growth;
- 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 sub-Saharan African 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 their productive 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 to overcome bottlenecks, which can be characterised as development, before full recovery is achievable or sustainable.

There is fairly broad agreement on the above. To that extent the recent World Bank review of sub-Saharan Africa (12) 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 specifics 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.

In order to proceed further in outlining what needs to be done, it is necessary to review some of the key sectors, instruments and contentious 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 sub-Saharan Africa. The third is that external articulation of applied political economy, whether by academicians or institutions, does not work well. 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 attention and increase in resources, and experiencing the sharpest policy and institutional changes. It was also the sector in which foreign personnel, advice and, frequently, resources -- in large-scale projects -- were most dominant at all levels, from strategy through policy to project design, implementation and frequently management (14).

### Sectoral and intrasectoral priorities

Seven broad sectors are of general priority: production which expands exports or saves imports, food, manufacturing, physical infrastructure, human infrastructure, institutional infrastructure, and the data and research infrastructure.

All sub-Saharan economies must give priority to raising earned import capacity, i.e. export expansion and expansion of import saving production. Export promotion and import substitution need to be seen as two aspects of the same strategy of achieving external balance and sustainable development; they are not to be seen as alternatives or opposites. There can be extremely inefficient export promotion just as there can be inefficient import substitution. There are no simple general answers (except wrong ones). The strategy should probably involve selective, rather than sector-wide, policy intervention, as has been done, albeit in very different contexts, in Brazil, South Korea, Hungary and Taiwan.

Two dilemmas need to be recognised in respect of most traditional primary and semi-processed exports. If most producers raise output rapidly, the overall impact on price will be such as to cause each to earn less foreign exchange. World relative prices for these traditional exports have been falling, with poor prospects for reversal in most cases. Therefore, to raise domestic real prices is to contradict both the basic principles of market economics and to plan to back losers. But, on the other hand, to delink from these exports before alternatives are available can only lead to greater 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 sub-Saharan economies must identify the least unpromising options to raise exports. This would include restoring debilitated traditional exports (e.g. cocoa in Ghana, cashewnuts in Tanzania, copper in Zambia), holding market shares 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 its products in Nigeria and Cameroon, pulp and paper in Tanzania, reassessed gold deposits in Zimbabwe, coal in Botswana and Mozambique), and developing new agricultural exports with reasonable market prospects (e.g. soy beans and maize in several countries). Over the slightly longer term, analysis of the potential for pre-export processing and manufacture (e.g. hides and skins, cotton, sisal, logs and timber, ores and concentrates), 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 appropriate export promotion funding with clear priorities.

However, export promotion will not be enough for a majority of sub-Saharan African economies, including some past star export performers such as the Ivory Coast and Malawi. Equally systematic analysis of import substitution potential and priorities is needed in basic foodstuffs (grains, oilseeds, meat, fish, dairy products, and perhaps sugar) in commercial fuel and energy, in mass consumer goods and intermediate inputs into them, in construction materials, in engineering, and in tradable services (e.g. construction).

It is not clear whether the growing food problem is primarily a problem of price, 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 have, in almost all cases, outpaced wages (and, often, the 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 is it 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 are partly (sometimes over-energetically) acted on in most of sub-Saharan Africa. But there is now a danger that other often essential conditions for price or other policy changes to affect food output will not receive adequate attention. Among these are:

- a) the critical importance of there being buyers who come to accessible points at known times and pay promptly;
- b) the availability of transport to allow timely procurement and movement of crops and movement of inputs and "incentive" goods (15);
- c) even if transport is available, the absence, shortages and untimely arrival of both agricultural production inputs and of "incentive" goods has become endemic even in middle-income countries like Nigeria; lack of inputs lowers production potential, and without the desired consumer goods no price is "real" to the peasant producer;
- d) inadequate and overcentralised storage facilities which frequently lead to peaking of seasonal transport demand and thus maximisation of transport costs, high storage losses, and inability to hold reserves;
- e) basic services (health, education, accessible pure water, access to household fuel) are frequently debilitated or never existed, which has direct negative production effects and equally clear disincentive effects on staying in rural areas at all;
- f) agricultural research is usually neither locally field tested, user net income tested, nor tested for peasant acceptability 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; in fact, for many food crops in many areas applied research known to be relevant does not exist at all.

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.

By and large all these points relate to marketed food, i.e. to producers with surpluses above household needs. But a significant proportion of the African food shortage arises in peasant households which cannot grow enough to provision themselves adequately. For them higher food prices are irrelevant (or harmful) and cash input intensive packages are usually financially inaccessible. Far more attention is urgently needed in a significant number of countries on how to respond to the needs and problems of this group of hungry people (16).

Manufacturing is often inefficient, and cannot in itself solve unemployment problems. Unfortunately this has tended to result in lack of attention both to its strengths (17) and to its critical role in respect to agriculture and government revenue. In a significant number of sub-Saharan economies many basic agricultural inputs and most incentive goods cannot be manufactured in adequate quantities because foreign exchange for spares, direct inputs and fuel is restricted; output may be at 25 per cent to 40 per cent of capacity (18), and production is snapped up in urban areas even though rural prices may be higher. Further, much of the recurrent budget deficit frequently results from steep falls in the various tax receipts tied to domestic manufacturing activity. 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.

The physical infrastructure, viz. transport (including rolling stock and vehicle parks), water supplies to enterprises, communications, energy and storage, are among the most debilitated sectors in many sub-Saharan economies. These are just as significant in raising the cost of production as in causing direct output losses (19). The key missing element in almost all cases is foreign exchange. In certain cases this is because external funds are available for new projects but not for rehabilitation or maintenance, a problem which is sometimes exacerbated by a domestic preference for new projects.

The human infrastructure viz. education, drinking water, health, domestic fuel, and housing is, in many cases, equally or more debilitated, especially in rural areas. Their importance for production is frequently seriously underestimated, as is the disincentive impact of their absence or deterioration. Their relevance, particularly education, to future productive capacity is more widely perceived, although their special relevance to vulnerable groups (including women and children and particularly those of poor households) is probably underestimated. Three priority needs can be identified:

- restoring effective coverage and quality in what already exists (e.g. provision of paper, books, drugs, fuel, pump spares, staff retraining);
- redesigning systems away from overconcentration on limited access, high quality sub-sectors toward more basic coverage;

- filling gaps, particularly in specialised, middle-level training (e.g. artisans, surveyors, technicians, bookkeepers) and, as soon as resources permit, restoring advances toward universal access to basic services.

The institutional infrastructure can be defined as knowledge, expertise, and historic memory (e.g. useable, and used, filing and archive systems); communications systems; accounting; co-ordination, and monitoring and accountability generally (as well as within institutions and institutional sub-systems). This "sector" appears to have deteriorated radically in many sub-Saharan states over the past few years, in part perhaps because workers at all levels have responded to negative real wage and salary incentives. Improvements in policy and management capabilities will be virtually impossible unless this situation can be reversed. One finds that management accounting is weak or absent almost everywhere, and ex post financial accounting and accountability is often little better.

The data and research infrastructure is another sector which historically has been weak and which has deteriorated in a majority of sub-Saharan economies, despite increased resource allocations. National and institutional diversities are again substantial, but three general points can be made: there is a need for setting priorities in terms of critical user needs (e.g. agricultural yield statistics, and peasant usability-tested crop research) and better feedback from users; more attention must be paid to having reasonably accurate data available in time to inform decisions (information is too often erroneous, or correct but too late); and there must be more national and regional co-operation, ranging from exchange of information to joint training and programmes.

### Policy instruments

Nine instruments for implementing policies, projects and strategies stand out as deserving priority attention in most sub-Saharan countries: distribution, participation, incentives, micro-management, macro-management, public sector effectiveness, private sector, regional co-ordination/co-operation, and external resources. While distribution and participation can be seen as ends, they are here considered as means or instruments.

Distribution and production are largely co-determined, therefore support and incentives for production will directly influence income distribution. Redistribution after that is secondary. This fact is not always adequately considered in the selection of policies for increased production. Thus the primary influence on redistribution lies in altering the ability to produce and the rewards for producing. The secondary area of influence is the provision of basic services (which does overlap with the primary area, as these can raise the ability to produce). The tertiary area of influence is direct transfer payments (which are very limited in sub-Saharan Africa relative to other regions and, unfortunately, predominantly to middle and upper income groups), and taxation. Any production policy or project, if successful, affects primary redistribution. It is necessary to view this impact both on a case-by-case, and overall, basis to ensure that the redistribution effects of production-oriented decisions are generally consistent with national distribution targets.



Participation is more widely lauded than pursued in practice. Its first aspect, participation in production, and its second aspect, participation in carrying out policies (e.g. community afforestation), are genuinely sought, albeit rarely with enough attention to what actually motivates peasants and workers to participate. Another dimension of participation, that of taking decisions and designing policies/projects, is honoured unevenly in practice, and this failing frequently entails high costs in selection and design mistakes, leading to poor participation in implementation and in operational performance. Participation, in the sense of ability to hold officials and institutions -- especially external agency personnel -- accountable, is rarely endorsed even verbally and is usually resisted in practice at least as energetically in sub-Saharan Africa as elsewhere. Political implications aside, this absence of participation in holding to account does damage to the other aspects of participation and thus perpetuates policy and incentive mistakes.

The area of incentives includes prices: producer prices, wages, and their relationship to input and consumption goods prices. However, there are other incentives. In the context of low or falling per capita output these require priority examination and strengthening where possible, precisely because so little can be done in the areas of real prices and real wages. These include the 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. Furthermore, individual and group commitment and a sense of meaningful participation, and a belief that development (as defined by a person) is attainable, are also critical motivating factors. Economists and economic decision takers often find it hard to relate to the latter factors, often to the detriment of the effectiveness of strategy and policy packages, particularly when they involve front-end costs and only longer-term gains.

Micro-managerial capacity at the institutional level, in both the public and private sectors, is an acknowledged pervasive weakness in sub-Saharan Africa. Because of worsening national contexts, such capacity as exists is increasingly unable to combine day-to-day crisis management with normal ongoing supervision, annual operational planning and medium-term forward planning. Some corrective measures have been mentioned above under institutional infrastructure. Others relate to high and middle-level training (not least bookkeepers, accountants and auditors). Certain other contextual problems also exist, particularly with respect to government and public enterprise management. These relate to the overall structure and context within which micro-management takes place, viz. inadequate autonomy and a lack of standards of performance and incentives. While hardly unique to sub-Saharan Africa, 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 and policy making. The most general problems relate to weaknesses in the generation, collection, analysis and use of data which is needed to inform decisions, to design and implement policies and programmes, to monitor results, and to achieve meaningful flexibility to take corrective action. Unfortunately, these weaknesses are rarely seen as a cluster of related and endemic problems, and still more rarely are they given priority attention. Failure of co-ordination and of testing for consistency, particularly by central economic

units, is also frequently cited as a weakness, but serious action is not often taken (perhaps with the exception of ad hoc expansion of Treasury powers, which may or may not be effective).

The question of public sector effectiveness requires subdivision into government and public enterprise. In government there is frequently a need to prioritise in order that the most important functions (including those 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 at times of budgetary and foreign exchange constraints is an imbalance in favour of personnel who then, for these very budgetary or foreign exchange reasons, do not have the resources to carry out their duties. Either fewer personnel, or larger budgetary and foreign exchange allocations, are essential to restoring operational balance in such cases. Since real government expenditures, excluding for interest and production incentive subsidies, have fallen significantly in most cases and in certain key areas (maintenance and repair, basic health and medical services) which urgently need to be restored, increased revenue is essential. Contrary to popular impression, sub-Saharan governments' recurrent budgets are not particularly large relative to GDP (20), nor are the number of government employees large as a proportion of the economically active population.

Public enterprises also often suffer from overextension, and would benefit from prioritisation on a basis analogous to government. They are also subject to the micro-managerial weaknesses noted above. However, their performance efficiency, on almost any criteria, varies widely among and within countries, and almost no generalisations are valid. 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. There is therefore a general case for seeking to bring up the standards of the weakest priority public enterprise to those of the strongest, as well as phasing out low priority, unprofitable ones (21).

The private sector probably deserves more attention in most sub-Saharan economies, although this is far more a matter of degree than of ideology, since most are in fact mixed economies. A practical problem is that neither advocates nor critics of public enterprise in Africa have really examined the capacity, viability and efficiency of the private sector, and more specifically its components: large, medium, small; domestic, foreign. These vary widely, and the advocates of unleashing the private sector seem to overestimate the capabilities of these components both absolutely and relative to public sector enterprises (22). There are two specific issues which need exploration. First, is the private sector a feasible alternative at the large enterprise level? Domestic private capacity is limited. Foreign investors do not at present find sub-Saharan Africa attractive 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. Over-regulation and unintended disincentives, and underregulation and unintended private windfalls, are all too frequent -- often in the same state.

Regional economic co-ordination is, for most sub-Saharan states, a means of broadening the range of viable production and exports, reducing the costs of certain institutions, programmes and infrastructures, and for co-ordinating the development and use of transport and communications

facilities. To achieve these ends it needs to be based on perceived mutual interests; these usually turn on production and transport, with trade being consequential and not an end in itself. This suggests a need to rethink approaches to co-ordination and co-operation: the orthodox trade preference centred model has a rather resounding history of failure or very limited success in sub-Saharan Africa over the past two decades. It appears to correspond neither to the present economic structures and perceived priorities of most sub-Saharan states, nor to their preference for risk minimisation and extensive use of exchange controls and import licensing to regulate trade levels and sources. A more production-linked, pragmatic approach centred on balanced trade diversion toward group members would seem to stand a better chance of success.

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 usable to support rehabilitation and the operation of key existing capacity. Third, for most purposes in most sub-Saharan states, with a handful of possible middle-income group exceptions (23), grant or heavily concessional funds are needed. Fourth, as stressed by the Commonwealth's Lever Commission (24), sub-Saharan Africa cannot possibly repay existing debt as scheduled; present levels of debt service, even after any plausible commercial arrears reduction programme, are quite unmanageable for over half the sub-Saharan states. Concerted attention to long-term debt reconstruction and consolidation as well as accompanying new money, and radical improvement in debt recording and management, are priorities for most sub-Saharan countries.

#### Areas of controversy and/or confusion

Seven areas appear to generate substantial controversy -- part real, in part arising out of diverse concrete cases, and in part out of confusion in terminology. 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 a policy resource allocation, or an enterprise, is efficient until its goals and intended beneficiaries are specified. Import non-intensity, export intensity, total scarce resource cost, profitability, contribution to real GDP are all valid criteria of efficiency in a number of contexts, but unfortunately they do not necessarily give the same answers. Further, present and future efficiency often diverge, and time discount issues arise. Also, there are costs in overriding political/economic preferences rooted in the particular circumstances of individual countries.

Prices (including exchange rates) are critical in respect to incentives and to macro- and micro-economic management. As such they need to be consistent, and to be managed so as to facilitate regaining a viable external balance position. Up to this point there is general agreement, and that agreement suggests the need for substantial price changes (including substantial devaluations) in many sub-Saharan economies. From here on the basic issues seem to be:

- how much price management is needed and for what purpose; i.e. how imperfect are sub-Saharan markets under present conditions of extreme scarcity?
- how generally appropriate is the price mechanism for basic services (e.g. health) and for other goods whose broad uses have external economies to communities and countries?
- how far can economic management via prices go, and in what cases should other economically based allocation devices be used (e.g. bank credit, foreign exchange, certain basic consumer goods)?
- how generally can tax/subsidy price incentives be used; e.g. is the proposal to use them to deter and reverse deforestation and bush cutting, soil erosion and similar economic degradation by poor peasants practicable or efficient?
- how fast can major adjustments be made without fracturing already weak structures or setting off inflationary forces which rapidly cancel attempted once and for all "shock treatment" changes (e.g. in exchange rates)? (25)
- when do the benefits of certain types of price manipulation, e.g. cost-plus based price controls, uniform farmgate prices, and 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 implement them and live with the consequences. Also, they will need regular review and, like prices themselves, to be changed from time to time.

A related set of arguments turning on prices is really about income distribution and, unfortunately, tend to be conducted on both sides with little effort to estimate when the actual impact would be. For example in Tanzania current proposals to close the recurrent budget deficit, increase overall enterprise profits and raise real grower prices 25-50 per cent would require lowering real wages, salaries and informal sector incomes by at least 50 per cent (following a 50 per cent fall over 1979-83). This is politically impracticable. Also given that the minimum wage's purchasing power is about 25 per cent below the average peasant household effective real income, while wage earner average productivity is substantially higher, such a course would seem to pose economic efficiency and equity problems. One would also have to consider that some wage earners would probably respond 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 (GDP adjusted for terms of trade changes) there are 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 sub-Saharan Africa children (26) and women are particularly vulnerable and the medium-term economic cost of not protecting them is high. However, there are other vulnerable groups, such as farmers and pastoralists pushed into sub-marginal, high risk areas, and much of the urban informal sector. As the Lever Report commented, "erosion in living standards has pushed their peoples to the margin of tolerance" (27), a point truest for vulnerable groups. There is a growing awareness that production-oriented strategies and heavy reliance on market pricing do threaten vulnerable groups (28). The debate is on what groups are seriously at risk, how they can be shielded and what approaches are cost efficient.

One protection (which has rarely been maintained) is continued access to basic services, and a second (which is eroding) is drought or famine relief, including food-for-work rural construction schemes. The basic answer however must lie in 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 also a recognition that the economic payoff may be low and that the additional output (or its proceeds if sold) will be virtually all consumed by the producing households. In urban areas removal of petty regulations (e.g. licensing, banning various types of vendors and other service sellers) and of fees (e.g. on standpipe water and on petty trading) can be valuable out of all proportion to any revenue or other loss (29).

Subsidies and transfer payments cannot be a general answer, since budgetary funds are not available to finance them. Some selective ones may be practicable, such as 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.

Rapid population growth in the sub-Saharan context exacerbates the food availability crisis. A close succession of pregnancies is damaging to the health of both mother and child, and to the family's ability to feed, clothe, and 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, there is less agreement on what instruments are effective in reducing birth rates. There is a tendency for proponents of one instrument to ignore others. Education, for both mothers and for children, is associated with smaller and better spaced families and lower infant mortality. Historically, falls in birth rates have been associated with increases in old age security (not necessarily by state schemes), and by increases in real family incomes; these conditions will prove hard to meet in sub-Saharan Africa. In their absence more demographic research and state pronouncements (except perhaps on child spacing) will have relatively little impact. Access to family planning knowledge and requisites will have some, albeit limited, impact.

Raising domestic savings ratios in sub-Saharan Africa 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 gross fixed capital formation (GFCF) (allowing for indirect as well as direct imports), i.e. it is likely to be limited to 40-50 per cent of GFCF. An attempt to raise domestic savings ex ante is likely to fail, and to reduce the 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 it will, in the context of unchanged foreign exchange availability, involve a consumption cut two or three times as large because of the high import content of GFCF; therefore, while capacity growth will be enhanced, this will be at the cost of falling capacity utilisation and lower total present output (this point is further elaborated below). These constraints obviously do not bind so tightly once significant export growth is achieved or if additional foreign resource flows allow substantial rehabilitation and recovery.

Productive employment is critical to sub-Saharan economic recovery, and since unskilled labour in the region is relatively plentiful its use is logically central to any production enhancing strategy. Equally, production which excludes much of the labour force will exclude many households from distribution benefits. Both points lie behind the switch of emphasis away from large farms which are, for most crops and under most conditions (30), both cost and foreign exchange inefficient when compared to many peasant producers. More generally, serious attention must be paid to how labour intensity can be augmented and how unskilled (or newly semi-skilled) labour productivity can be enhanced. This question has rarely been given the policy priority it warrants from the production and distribution/participation viewpoints; attention has usually focused on manufacturing, and has paid too little attention to construction, maintenance and repair, and other services.

In a different sense employment in large-scale establishments is a problem because reduced output has reduced productivity, and falling real wages have eroded incentives and thus yet further lowered productivity. Unless output, whether in health, education or directly productive enterprises, 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 (31). For lack of inputs, at least half of Tanzania's 50 000 or so agricultural extension and related workers have negligible productivity, and a case can be made for a 50 per cent retrenchment combined with a 25 per cent 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 re-establish itself.

Disagreement over demand vs. supply management tends to be at cross purposes because of the varying meaning of the terms. Demand management (whether Keynesian or IMF-ist) tends to concentrate on macro monetary aggregates. In the African context it concentrates on reducing resource use to correspond to supply. While macro aggregates are important, they are far from everything. Achieving balance is a priority for attaining stabilisation, but since the present crises were largely precipitated by supply collapses, and manifest themselves in capacity under-utilisation and specific resource imbalances, 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 sub-Saharan Africa is very limited. The latter is critical. Restoring supply and altering its structure to remove specific imbalances (e.g. in food, energy and foreign exchange) is the basis for pushing available resources (supply) back up to previous levels of resource use (demand). Whether SAPs as now designed are optimal is a secondary issue; they are serious attempts to achieve adjustment by increasing production. While they ought to complement and represent a further stage of IMF adjustment programmes, they in fact are increasingly incompatible with them. This is because IMF-style stabilisation is based on a short-term, macro-monetary model which virtually requires that demand cuts, and perhaps increased GFCF, receive priority, rather than capacity rehabilitation and utilisation.

### The applied political economy of change

Any exercise in structural adjustment that goes beyond the verbal stages is by definition an exercise in applied political economy, not an exercise in economic theory or in technical optimality. Whether this is a good thing (as the author on balance supposes) or a bad thing (as the World Bank clearly believes) 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, and the values and decision-taking coalitions which back and intend to benefit from adjustment vary from state to state, over time and, usually, 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 the prescription ignores or repudiates basic goals and values of the dominant decision-taking coalition it is likely to be seen as a direct challenge; it then addresses basic political issues and clearly moves beyond even applied political economy. Too many external prescriptions either accidentally or willfully ignore this fact (32). Whether external political economists and development agencies are appropriate bodies to prescribe to sub-Saharan states on basic political issues is, at the least, open to question.

Contexts, parameters, goals and values do change and evolve. At any time there are likely to be degrees of freedom within them -- often quite significant ones. Changing them over time is a logical and fairly standard objective of applied political economy. But to utilise degrees of freedom or to alter constraints requires that they be explicitly identified. While designers, articulators, validators and implementers of applied political economy can and do make economic history, they cannot do so in any way they may wish.

Parameters such as imports to GDP, imports to GFCF, overall and sectoral production growth trends, output-employment ratios, debt-service ratios, current external account trends and projections, and factor share distribution ratios, are important to the applied economic strategy of

stabilisation and 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 per cent and that of other production (including the domestic component of GFCF) is 20 per cent -- roughly the position in Zimbabwe -- then raising GFCF by any given amount within a constant total expenditure requires 0.36 times that amount more imports (33). To make the shift with constant foreign exchange availability would require three times as large a reduction of consumption, and a reduction in total current output of about twice the eventual increase in GFCF. This revealed constraint suggests exploration of degrees of freedom toward types of investment and production methods which are less import-intensive or less capital intensive (e.g. labour intensive construction, shallow wells instead of boreholes). In the short run such freedom may be fairly limited, but in the medium-term it should not be negligible.

The second use is to focus attention on how constrictive parameters might be altered. In the case of Zimbabwe, which has an integrated iron and steel industrial sector 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. Thus national economic integration would be strengthened, and direct and indirect import content investment reduced.

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 failure. 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 achieve the possible.

#### toward the beginnings of revival

Sub-Saharan Africa's economic malaise can be overcome. There is a growing identification of causes and of areas in which action is needed. There is also, albeit less clearly, identification of what actions are both desirable and practicable not merely at sub-continental but, more important, at national, sectoral and local levels. This knowledge is now informing the attitudes and priorities of a growing number of African decision takers, states and institutions and -- more slowly -- external agencies and decision takers. However, there are several areas of awareness which are less evidently or generally present:

- a) A realisation of how serious the problems and prospects are, viz. how much capacity has been eroded, how fast debt service is likely to cut net capital inflows, how little benefit will be gained -- without significant structural change -- from the trickle out of any 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 lags between execution and initial positive results is likely to be 12 to 24 months, and to full recovery five to ten 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 the realities and how restricted the options, and also on a belief that something can be achieved;
- d) adequate levels of external resource flows, in a form which can be used 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); there must not be such delays that the underlying situation worsens 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, and the need for respect for and interaction with African initiatives, even if these, like the external ones, are so far 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 poor and ineffective projects. These negative effects are likely to be even more severe at sectoral, macro-economic and macro-political levels. Strategies and their articulation can, up 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. Whether extra-African individuals and agencies know more about sub-Saharan Africa than Africans is open to doubt (in some cases and areas perhaps so); but it is indisputable that only Africans and African bodies are primarily and permanently committed to achieving African development, and it is they who will reap the main costs of failure.

This is not to deny the importance of reinforcing African knowledge and institutional capacity through transfers of knowledge, technology and personnel embodying them. 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 autonomous powers. "Have a headache? Take two expatriates" has at times worked well in a technico-managerial context, but it is neither generally practicable nor desirable even in the short run, and it is inherently dangerously addictive (34).

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. But external agents can only have a preponderant role in two of these areas: external resources, and external acceptance of African leadership. Even in these areas the external response might well be more positive if African governments, decision takers and intellectuals were more and more creatively assertive.

It is necessary to approach the struggle toward agendas for 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 their timing) 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. As formulated by Antonio Gramsci: 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 African peasants and workers, intellectuals and managers, businessmen and civil servants, community and political leaders who "remain undefeated ... because we have gone on trying".

#### NOTES AND REFERENCES

An earlier version of this paper appeared as "From Deepening Economic Malaise Toward Renewed Development: An Overview" in "Sub-Saharan Africa: Towards Oblivion or Reconstruction?" Journal of Development Planning, Vol. 15, New York, United Nations, 1985.

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. Estimated from United Nations, Yearbook of National Accounts. New York, various years.
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 unfavourable/more favourable.
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 per cent trend growth in sub-Saharan Africa from the 1970s on.
7. Zimbabwe macro and sectoral data suggest that, with no terms of trade changes and a 6 per cent export growth rate plus continued financing for a \$400-500 million current account deficit, a 4 to 5 per cent GDP growth rate and a 2 to 3 per cent capacity growth rate could be achieved over 1985-1990 -- a better result than could reasonably be projected for a majority of Sub-Saharan economies.
8. Many present transfers are unsuitable because they are tied to relatively low priority capital projects at too high interest rates/too brief repayment periods to be compatible with realistic estimates of the time required for transition/stabilisation/renewed development. IMF drawings fall in this logically unsuitable category both as to terms and as to rates.
9. This 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 de-linking 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 would require 50-100 per cent short-term export volume increases and/or 25-50 per cent terms of trade recovery, neither of which is plausible. The second is simply implausible; present import volume and structure (following the 1980-84 import compression), and any plausible options for structural change, means that structural change requires an increased ability to import.
10. Import make-up often needs changing and import to GDP ratios may be reducible, but in a majority of sub-Saharan 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, sub-Saharan 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 is a cause as well as 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.M. Paul and 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. See sources cited at note 13 and C. Allison and R.H. Green, op. cit.
15. E.g. in 1983, 50 to 75 000 tonnes of 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. Thus compares to the 60 to 70 per cent capacity utilisation rates in the late 1970s.
19. The nominally lost output is, under conditions of severe import constrained capacity underutilisation, probably not lost but rather postponed; unplanned interruptions are more costly than planned short-time working and may cause loss of goods in process at the time.
20. Cf. C. Colclough, "Are African Governments as unproductive as the Accelerated Development Report implies?" in Allison and Green, op. cit.
21. If they are profitable then there is no general case for closing them.
22. 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); in 1983 analysis of several major sub-sectors of manufacturing showed substantially higher average output value to foreign exchange allocation ratios for public than in private enterprises. Similarly ratios of grower receipts to retail prices 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.

23. For the middle income countries there is little chance of mobilising much truly soft finance; the best nationally achievable terms for the bulk of their external finance appears to be 10 per cent and 5 plus 10 years (e.g. the terms of World Bank and some export credits), and this may be useable in medium-term stabilisation through development strategies.
24. The Debt Crisis and the World Economy. London, 1984.
25. 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 sometimes work. In 1974 Tanzania did adjust prices, incomes and taxes to accommodate 1972-74 oil, grain and general import price increases over a six-month period, and then regained rough balance and 10 per cent inflation within a year.
26. 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.
27. The Debt Crisis, op. cit.
28. 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.
29. Most such fees, taxes and regulations are both cost-inefficient and control-inefficient.
30. 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.
31. 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 in key sectors (e.g. health, education, agricultural research) wages and salaries are often too low to provide adequate incentives -- would seem to lead to it.
32. At least one would like to hope they do! Some do not -- they recognise it and seek to use 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 does appear to be used rather more widely.

33. The calculation is:

Capital goods import coefficient	0.45 (x 1):	0.45
plus indirect import content (general import coefficient x "local content" of investment)	0.2 (x 0.55):	0.11
minus import saving on reduced consumption	0.2 (x 1):	<u>- 0.20</u>
equals net additional imports required		<u>= 0.36</u>

34. The diversity here is, or should be, largely temporal. Ghana -- if a dynamic of recovery and of hope could lead to an ingathering of its widely dispersed personpower -- needs far fewer, far less generalised, and far less long-stay personnel (and instead needs 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).