THE CRISIS OF SUSTAINABLE GROWTH: Reflection On The World Bank's Long Term Study

By Reginald Herbold Green

> The nature of these programs has evolved significantly as we have all learned from our experiences and mistakes...Private sector initiative and market mechanisms are important, but they must go hand in hand with good governance...
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> \- Barber Conable, Foreword

> Growth does not necessarily reduce poverty or provide food security.
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> \- Page 45

> The division of responsibilities between the state and the private sector should be a matter of pragmatism - not dogma -
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> \- Page 55

> Policy analysis is very difficult in the absence of reliable and timely data.
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> \- Page 58

On the Long Road

The World Bank's Sub-Saharan African - From Crisis to Sustainable Growth (Long Term Study) is the best of its series of continental overviews which began with 1981's Accelerated Development and arguably the best SSA continental study from any source with apologies to ECA's African Alternative Framework whose clear and sweeping vision is marred by a very uneven quality of analysis.

This is a serious, informed, reasoned, pragmatic study. While its enthusiasm for private and unregulated market solutions and for a multitude of tiny collection user fees appears at times to rest on faith more than logic or experience, that is not true of most of its conclusions or proposals.

Clearly the Bank has learned much since 1981 - indeed it has structurally adjusted its own approach. Growth is seen as pre-condition for regaining macro balance and attaining structural change. Further it is argued

convincingly that it must be humanly sustainable (equitable) and also physically sustainable (environmentally sound). This is light years away from the 'external debt service first...stabilise by cutting' straw person still frequently set up by Bank critics.

And A Winding One

The Long Term Study does demonstrate learning from experience and - refreshingly unusually for a Bank published study groups the Bank as among those learning from their own errors. That can only add to its credibility - especially in SSA. For example human investment and meeting basic needs are restored to priority status (on economic as well as human grounds) and their early 1980's downgrading bluntly portrayed as disastrous. Even more important the uses of labour intensive methods to build and maintain key infrastructure and of rising primary access to basic services are at least partly linked to overall resource allocations not treated as 'add ons'.

The vital role of maintenance in making any overall level of investment efficient (sharply challenged when a few African governments and other analysts raised it at the end of the 1970's) is presented as conventional wisdom. The cost of South Africa's total onslaught on its neighbours receives boxed attention for the first time in a Bank study.

"Governance" is the LTR's somewhat coded amalgamation of governmental and institutional capacity, efficiency, appropriateness, accountability, probity and legitimacy. It might be better to divide these topics more as some are easier for an interstate governmental body to treat in depth than others and in different countries the key problems of governance vary tremendously. To give the impression (however unintentionally) that the governance problems of Tanzania or Mozambique are analogous to those of Zaire or Sudan is not exactly helpful. But that the LTR has managed to speak openly of inequity oppression, systemic corruption and to call for organised domestic criticism and countervailing power is as refreshing as it is courageous.

Not least From Crisis to Sustainable Growth really is long term in nature of analysis and issues, not a crisis management exercise with projections tacked on which seem to reflect slightly more efficiency by all parties on crisis management, but not necessarily much more. There is an intriguing implied shift here - structural adjustment to a flexible model which is self adjusting is seen as running into the next century. Structural Adjustment country

strategies were initially 3 to 5 years and have de facto gone to 7 to 10. Will they now become rolling open ended? That would fit the LTR's advice that external support be focussed on agreed sustaining and advancing of what an African state has begun to do rather than on payment for conditions de facto imposed on present and future policy shifts. Certainly such a shift - which has perhaps begun in a limited way - would both encourage African initiatives and policy capacity building and lessen the very dangerous tensions typifying front end loaded high conditionality, back end lagged and uncertain resource flow 'agreements'.

With Smudged Map And Muddy Tracks

The LTR rightly indicates that low GDP growth, high population growth, falling capacity utilisation and plummeting efficiency of investment are basic to SSA's disastrous 1980's economic performance (and to longer records of failure in a significant number of countries). But it seems inadequately aware that this is either a process description or a causal linkage model in which the directions of, and feedbacks from, linkages are less than clear and may well vary by country and period.

One example is labour cost and productivity. Many SSA unit labour costs are high. That is beyond doubt. So are a number of reasons - not least inability to operate near institutional or plant capacity. But - at least in many countries - wages are arguably below the minimum efficiency level. e.g. in Tanzania the monthly minimum wages is $10 while the minimum household expenditure to stay out of absolute poverty is about $40. In other countries - e.g. Ghana and Mozambique - the minimum wage is $20 to $30 and the expenditure needed for staying out of absolute poverty also about $40. In practice informal incomes of non-wage family members can produce 50% to 67% of wage income; but rarely 100% to 300%. Arguably then higher real wages are a sine qua non for rising labour productivity - a proposition Mauritian, Botswanan, South Korean positive and Philippine, Ghanaian and Tanzanian negative experience would seem to bear out.

In part this type of problem flows from the use of averages which may homogenise quite different real problems and causes into an average which describes only a handful of cases. For example the LTR shows that over 1961-1986 SSA terms of trade fluctuated sharply but fell little; for oil importers they fluctuated and fell; for low income economies they fluctuated and - especially in the 1970's - collapsed and for oil exporters they exploded (from

the lowest levels in over 100 years) in 1973/74 and 1979/80 then eroded with 1984 and 1986 collapses. Much - not all - of the analysis concentrates on the average concluding that terms of trade had limited overall impact. This may mask several specific propositions: a) most African states have managed volatility badly - perhaps booms worse than falls; b) in the 1980's there have been pretty general falls with demonstrable severe damage; c) for several low income countries, the falls since the mid-70's are up to a tenth of real GDP; d) booms impede shifts in production structures (or cause perverse ones) and slumps snatch away the resources for them (and cause different perversities).

In fact the LTR (like everyone else including the author) has no workable long term trade restructuring strategy articulated enough to be implemented. Over 75% of SSA's non oil export earnings (or 80% overall including oil) come from products for which higher SSA exports will probably reduce total gross SSA (not merely global producer) earnings. In the short term there may be no option for any country except raising export volumes for these problems, but that cannot be even a medium term strategy. Articulated, country specific work on viable multi product export structures is vital - but is in fact given very low priority, not least by the Bank.

The LTR's call for smaller - as well as more efficient - government and criticism of an average 27% government capital plus recurrent spending to GDP ratio contrasts oddly with its pragmatic prescriptions. These imply 12-15% Government Recurrent spending to GDP ratios plus 15-17% public sector investment (in infrastructure, human resources and joint ventures) for a total of 27% to 32%. More efficient with more resources to a narrower range of prioretised uses, yes. But smaller?

As is too common in Bank work, the revenue side fiscal policy seems divorced from operational reality. It is not true that most human services can be largely self financing and broadly accessible - detailed Bank service by service country studies suggest 10% to 20% realistic maxima for health and education. Nor is it clear why a clear case for more selective, lower export taxes is translated into opposition to all "producer" (income?) taxes ratherly oddly termed "trade" taxes. Both the need for the fees and the unclarity of the tax shifts sought might be helped by articulation of practicable, simple, buoyant, relatively progressive, one stage, multiple rate consumer taxes neutral between imports and domestic production to be the central revenue

generators in most SSA budgets. That is - contrary to what is sometimes argued and not clearly refuted in the LTR - a perfectly attainable objective in the context of sustained, equitable growth.

The LTR usually escapes the pitfall of over-enthusiasm for the relatively untried (or unexamined, or once touted then lost to sight and now retrumpeted). Equally it seeks to avoid comparing the actual present warts and all with ideal constructs of alternatives (a common cause over 1960-80 of over-enthusiastic and often self defeating attempts to curb very real market failures by regulations which in practice created different failures). Usually, but not always nor fully successfully. The "informal" sector is not homogeneous. Most is either low productivity, limited flexibility by nature or desperate survival innovations which are vital but not part of the answer to positive structural change. Separating these from the truly dynamic bits is important for devising strategies/environments for (often for getting out of the way of) the latter. Similarly the new respect for 'traditional' African long rotation agricultural practice is now coming precisely when population/land ratios make it impracticable unless research can provide ways to shortening rotation without ecological disaster. Peasants are quite ready to innovate and see the problem, but usually have not the knowledge to use, nor the choice of eating still less now to avoid future land degradation.

With Illegible Milestones

The LTR's call for more timely and more reliable statistics with priority given to those users want (as opposed to those Central Statistical Offices want to prepare by their favoured methods at a snail's pace) is welcome. But at points one wonders whether its authors fully realise how bad the empirical foundation for some analysis and proposals is. e.g. on population growth rates do we know how much (or even if in several cases) they have risen? Tanzanian estimates are 2.75% to the late 1960's; 3.3% to the late 1970's and (since the last Census) 2.75% for the 1980's. But the 3.3% (as the author then argued) almost certainly rested on failure to correct for undercount in 1967 relative to 1977 so that - in this case - the most plausible supposition is no significant change; in itself a real problem. The data compound another issue - so long as real pauperisation and food insecurity are rising, basic services access falling and infant mortality stagnant, can any population policy do much to address the basic causes of high birthrates? With rising real incomes and access to services and declining penury and

infant mortality, population policy can help speed transition to lower birthrates - vide Mauritius - but otherwise? Arguably food security, infant mortality and female literacy are the key fronts on which population strategy must be fought today in a majority of SSA countries.

The food production and price data are equally fragile and potentially misleading. For example from 1980-81 to 1986-87 Tanzanian food output rose about 20% and population about 15. How is a 14% decline in per capita food production (and an increase in average calories available) reached? (From composite use of incompatible sources?) If - as is true - official low food prices to consumers rarely held up after the late 1970's why suppose by-passed official channel grower prices did? e.g. in Nigeria in the 1970's the least bad estimates show grower food prices rising faster than the consumer price index or wages. 1979-1984 Tanzanian parallel (but hardly seriously regulated much less suppressed) retail market prices for food (used in official COL statistics) suggest a similar pattern there. LTR does not really address what these data weaknesses and inconsistencies may mean.

And On A Shaky Bridge

The LTR rightly advocates for a long term strategy, less chopping and changing, more patience. But are its projections of 1% per capita output growth and 0% per capita consumption growth for the next decade "sustainable"? Or will they lead to implosion by growing despair even if explosion by desperation is avoided? That is a real question in long running, moderately successful SA efforts (e.g. Ghana 1983-89, Tanzania 1984-89) and one poor Africans and African programme implementers/designers ask with a frequency and intensity the LTR does not reflect.

True, the LTR seeks to reconcile its renewed primacy for basic needs with 0 consumption per capita growth by calling for reallocation (-5% annual top income consumption per capita and +2% bottom increase; reducing hospital expenditure to support clinics). Analytically this is hard headed but soft hearted. Politically it is unlikely to be possible. Reallocation out of increased total resources can be done in many contexts; radically cutting the top to transfer to the bottom out of stagnant resource flows tends to require a violent revolution (not that most revolutions do, in the event, redistribute in that particular way).

To this question there is no clear answer but no cause for enough optimism to avoid posing it at all! If the answer is that implosion and/or explosion are likely at 4% to 5% annual growth rates (1% to 2% per capita) what then? Is 6% to 7% growth widely attainable by 1995 - e.g. by 2% to 3% annual average efficiency of resource utilisation/operation gains? Can raising domestic savings ratios be phased more slowly - e.g. by concentration on rehabilitation, debottlenecking, recurrent human investment, productivity enhancing research? (The LTR if anything over-estimates probable new external flows plus debt relief so that would be a dubious deus ex machina.) Sustainability requires looking at those questions squarely.

But this somewhat grim warning should not take away from what From Crisis to Sustainable Growth has achieved. Nor should it be forgotten that to be able to query specifics and components (even if quite important ones) in an overall presentation - analysis - agenda, one must have a basically plausible, even if incomplete or flawed, foundation of data, interpretation and conclusions for action. That LTR does provide.

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