ECONOMIC UNDERPERFORMANCE: SSA from planning through crisis coping and structural adjustment TO WHAT STRATEGIC AGENDAS?

By Reginald Herbold Green
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Marley was dead to begin with.

- Charles Dickens

To plan is to choose.
Choose to go forward.

- Mwalimu Julius K. Nyerere
(Preface to 1969-74 Plan)

I.

PREFATORY REFLECTION

Today there is no consensus on economic strategy for the next decade in Africa - not even quite a consensus on the absence of one. But it is clear that Structural Adjustment is no longer seen by a majority of actors as an adequate medium to long term strategy. Even for rehabilitation of collapsed economies in war ravaged or collapsed states there is grave doubt that the model of cutting excessive demand and cutting back the (often nearly non-existent) state is contextually relevant.

That position of uncertainty poses challenges. Not least is the loss of security because no functioning conventional wisdom to extol, to fine tune or to condemn exists - a loss to true believers and amenders, to 'yes but what more', as well as to root and branch, critics. It also raises the danger that discourse on the question of what strategic agendas are needed now will continue to focus on Structural Adjustment and its strengths/limitations, successes/failures. That type of responsive, rather than proactive, discourse has been a major weakness of 1981-95 advocates of nominally alternative strategies. While understandable on the part of African governments with no strategic options not requiring at least temporary enhancement of net resource transfers and no chance of getting term without broad acceptance of the Washington Consensus for SA, this turning of Africans from proposers to responders has been decapacitating and demoralising. It is even more counterproductive now that the consensus is breaking up.

The basic problem any new strategy must confront is **Sustained Economic Underperformance** at least since the mid 1920s and more directly relevantly during the entire 1960-1995 post colonial period. There have been periods of rapid growth for a number of countries and over 1975-79 for Africa as a whole, but these are the exceptions, not the broad pattern and most relate to "vent for surplus" or "opening up booms" or to exceptionally favourable international economic contexts. The first cannot usually be repeated and the second are most unlikely over 1991-2001 unless Africa's export structure is not merely adjusted but radically transformed in makeup as well as volume.

Underperformance has characterised all three phases of strategic consensus: Planning (1960-79), Crisis Coping (1980-85) and Structural Adjustment (1986-1995). Because late colonial and early independence planning of the 1950s and 1960s followed near stagnation in most of SSA over 1925-45, this underperformance was not recognised at the time. The apparent full recovery from the first oil shock and the focus of subsequent debate on SA served further to obscure this underlying secular challenge. Arguably it relates to policy but - judging by its persistence over time and across apparently very different policy patterns - not in any simple way. Almost certainly it relates to inadequate and relatively worsening resource endowment, not so much in the sense of natural resources (albeit most of SSA is not well endowed on that criteria) as to created infrastructure and labour productivity (health, nutrition, education) endowment. The latter - unlike the former - is at least in principle alterable over one to two decades by strategy and policy - *vide* Korea, Taiwan, Brazil, Slovenia, etc.

However, **underperformance is a slippery term - relative to what?** In the immediate post-war period the estimated ceiling for poor country growth was put at 2½% to 3% a year or 1% to 1½% per capita. That judgement - which was in retrospect excessively pessimistic, even for much of 1945-69 Africa - was heavily influenced by long periods of similar growth by industrial economies during the 19th Century and by the 1925-1994 near stagnation of most poor economies. In addition it underestimated the decline in mortality rates and consequential increase in population growth. But more recently the World Bank's 1981 **Agendas For Action** estimated attainable growth in SSA over the 1989s with optimum policies at 3.5% assuring a) moderately favourable terms of trade evolution and b) doubling of net resource inflows. If the latter was not met 2.5% was the ceiling and the actual (deteriorating) terms of trade pattern would knock that down to about 1.5%. Further, nobody would assert optimal policies (in Bank or, indeed, any terms) were practised by all of SSA throughout the 1980s. Yet growth in the event averaged above 2% for the decade approaching a 3% trend in its second half. On these tests SSA has not under performed secularly.

The **official target growth rates** of most SSA countries have hovered around **6%** a year throughout all three successive strategic consensus periods. For no period has SSA (or a majority of its component economies) ever met that target and only in the mid 1960s and the second half of the 1970s has it regularly exceeded half of it. By that standard the underperformance has been endemic and abysmal.

Contrast with other regions also shows underperformance (with some exceptions, e.g. the latter half of the 1970s in respect to Latin America and the Caribbean) with China, India, Northeast and Southeast Asia all achieving rates which, since 1980, have been at least twice SSA's.

On a more narrowly technical test it can be argued that the **resource requirements for socio and political economic sustainability** of any proactive strategy in most of SSA do, in fact, **cluster around 6%**. The key use demands are:

- restoration and improvement of physical infrastructural
- upgrading of the human resource base (access to basic services)
- reducing fiscal and external (or savings/investment) imbalances
- allowing enough personal consumption growth to restore late 1970s (or earlier) per capita 'peaks', reverse the trend to increasing proportions of absolutely poor households and provide incentives for learning (productivity) and entrepreneurship.

Since neither external transfers (aid plus investment) nor terms of trade gains are likely to boost total resource availability growth above output growth, it is hard to see how a rate under 6% is sustainable even if the danger in 3% to 4% cases may be implosion rather than explosion. In that context the World Bank's projection of a maximum attainable rate of 4% for SSA as a whole well into the 21st Century - optimistic as it may be in one sense - appears alarmingly low.

This paper:

a. reviews the ongoing end of Structural Adjustment as we have known it;

b. notes elements toward strategies widely canvassed;

c. explores underperformance and its causal elements;

d. looks in more detail at selected topics;

e. points toward possible strategic packages for the next decade.

II.

Structural Adjustment At Twilight

Structural adjustment is fading into the sunset with no bright happy morning to follow. Already the World Bank - its most coherent analyst, paladin and grand master - say "We no longer speak of structural adjustment".

True some latecomers to the SA consensus are unaware of this - as with mega tankers to change the course of received development doctrine takes time. But the wheel is already being turned (perhaps in several directions at once) and to debate future SSA economic strategy in terms of continued or amended structural adjustment would be a relatively sterile exercise. Today, just as 1975-79 (of the fabled 5% GDP growth trend) was the last stand of old style African economic planning which perished in the harsh world of 1980-85, so too 1985-90 can now be seen as the high noon of Structural Adjustment and its death sentence as written in the failure - apart from the special early case of Mauritius - to provide a continuing, let alone accelerating, dynamic beyond an end to economic free-fall and partial stabilisation through reduction of some imbalances. The World Bank does learn from experience. It has now decided SA is not an adequate strategic framework for economic transformation in SSA.

This is not to say that the Bank (or even most of its critics) would accept that Structural Adjustment has in any total or general sense been a failure compared to preceding *ad hoc* crisis non-coping. Most practitioners and independent analysts would not deny that it has - when practised seriously and with a modicum of good luck - recorded significant achievements:

1. In a majority of cases serious SA programmes have **halted or reversed economic free-fall** within one to three years; and

2. Less uniformly allowed **restoration of a 3% to 5% GDP growth trend** (i.e. halted per capita as well as overall decline);

3. With **some structural improvement on external account** (largely from less astoundingly unsound exchange rates) despite very poor external market trends.

4. **Reduced fiscal imbalances** - largely through **enhanced revenue** from growth and augmented programme oriented foreign transfers *de facto* for import and budget support, **not actual real expenditure reductions**;

5. Created a **somewhat more systematic scrutiny of economic policies** and particularly of those relating to enterprises and subsidies (public and private).

Given the state and trend of most SSA economies in 1981 those are not negligible achievements.

What structural adjustment has **not achieved** is also reasonably broadly documented and agreed:

1. **breakthroughs to 6% overall and 3% per capita trend output growth** needed to reduce public services, savings, poverty and fiscal gaps at the same time;

2. upgrading to **trend rates of growth of food production of 3% to 3.5%** to allow improved nutritional security and lower dependence on staple food imports;

3. **recovery of gross fixed investment to the 25%** (15% net) levels needed to sustain 6% output growth paralleled by even less impressive recoveries of domestic savings (public and private) to the 15% to 20% levels not uncommon prior to 1980;

4. reversal of the **falling proportion of people with access to functional basic services** (health, education, water, agricultural extension, market access) with high social and political as well as present human welfare and future productivity and competitiveness costs;

5. reversal of the **rising proportion of SSA households existing in absolute poverty** and, indeed, the absence of coherent articulated approaches to increasing production/productivity by poor people;

6. providing a set of **functional strategic guidelines** from initial stabilisation, imbalance containment and limited recovery to economic transformation of structures of production, exports, access to basic services, agricultural productivity and income distribution;

7. and - by no means least - **failing utterly to secure near doubling of real net official transfers** (which in fact declined over a third per capita over 1980-1995) or **substantial writedown of external debt overhang**. The Bank has in fact given up on the first - though through 1989 it was a linchpin of its modelling - and has yet to achieve substantial, generalised progress on the second which gradually (*faute de mieux*) replaced it on the agenda after 1990.

To say this is not to assert structural adjustment caused these problems - certainly they were even more marked during crisis non-coping free-fall periods. Nor is it to say that after 1985 the Bank failed to respond to poverty, basic services, environmental concerns by attempting to graft them on to the balance restoration/sustainable imbalance management core of structural adjustment. But the failures cited must be solved if transformation/ development are to follow on from adjustment/imbalance reduction. Failure to achieve substantial general results and the tendency for graft on programmes to be small, enclavised and marginalised do set time and depth limits to structural adjustment's potential future even more than to its past actual accomplishments. It is to the Bank's credit that it is among the first to recognise these realities.

The loss of faith over 1990-95 that structural adjustment could be transformed into a long term strategy to focus on substantive goals (e.g. absolute poverty reduction, overall physical infrastructure renewal plus modernisation and extension) while holding on to its procedural foundation of reducing and managing imbalances (e.g. elimination of gross currency overvaluation and massive subsidisation - by state or consumer - of non-viable production) had several interacting components:

1. the **plateauing of several 'flagship' programmes** (e.g. Ghana, Tanzania), with setbacks and recoveries but no forward momentum toward transformation, and the brittleness of others (e.g. Kenya);

2. revival of the Bank's early **doubt** that a **basically short to medium term balancing, liberalisation, growth restoration strategy could be a frame for incorporating other elements**. It had never been fully convinced despite the effort to synthesise the two in 1989 **(Sustainable Development)**. The poverty focus in SAP resulted from outside pressure spearheaded by UNICEF and the ecology component from similar pressure by Northern NGOs. Both linked to genuine Bank concerns that "structural adjustment programmes which rend the fabric of society cannot be sustained" in a context which - at least for the Bank - mandated all external assistance being via Consultative Groups responding to Bank/Country proposals mode around a rolling three year SAP framework.;

3. growing **"donor fatigue"** because procedural strategies have limited political sex appeal unless they pay off dramatically and fast;

4. paralleled by growing **recipient fatigue** from what was perceived as **"creeping conditionality without end"** plus - with apologies to T. S. Eliot - "the rising cry of the people - Resign! Resign!! Resign!!!" as a majority saw no substantial and/or sustained recovery either in household real incomes or access to basic public services (health, education, water, agricultural extension, roads, law and order);

5. and the **dramatic failure** to deliver of what should have been the 1990s two flagship programmes. Zambia's over five years showed an average 3.5% a year decline in output per capita - not much worse than 1975-89 but not much better. Zimbabwe's outturn was an even worse per capita decline following a 2% plus real per capita growth trend under the 1984-89 domestic structural adjustment programme. Certainly two droughts - one the worst in a century - impacted the economy and admittedly the IMF (and increasingly Zimbabwe's Treasury) were far less concerned about the fabric of society than the Bank. Nonetheless, neither Zambia nor Zimbabwe has helped SA's image - the latter being the first case in which it has apparently sent an economy into free fall instead of halting it.

III.

FORWARD TO THE PAST? 5 YEARS PLANS AND 5 WEEK COPING

The basic need is not to centre dialogue on how to reform structural adjustment - even the Bank no longer views that as a viable way forward. Still less is it appropriate to spend much time on arguing whether it should ever have become the dominant strategy - it did. Further, in the contexts of actual or impending free-fall and total external (plus not insubstantial internal) lack of faith in marginally revised previous policies (or non-policies), it is as hard to see now as it was in the 1980s what actual alternatives existed.

This is not to argue that alternatives might not have been analysed, articulated, documented and sold - both at home and externally. APPER and AAFSAP were in principle such alternatives - at least up to a point. Their articulation (especially in APPER) and analysis (especially in AAFSAP) were neither fully coherent nor particularly impressive. National support was notably uneven - and on average low - while ability to gain international credibility was near nil both at the APPER/AAFSAP level and even more at that of national alternatives to internationally designed/approved SAPs. The last point is a telling one - **any African initiative requiring substantial net resource transfers** (public or private, concessional or commercial) **requires credibility in the eyes (and pockets) of resource providers** or it is in practice non-operational.

The real issue is **what next**? Neither academic nor agency nor government, African nor external dialogue has reached anything approaching a consensus either in strategic terms for SSA nor in terms of articulated operational ones for any country. For once the word experiment has some validity - the degree of tentativeness and testing is much higher and applies in more countries than usual. The beliefs in the primacy of the political kingdom, in five year plans, in state leadership in production, in any external *deus ex machina* through the magic market, and/or in accountable transparency as a magic wand have all passed into history at continental level even if each still has its true believers and most remain entrenched among one or more countries' decision takers.

At two levels this can be creative. First, the records of the past decade and a half strongly suggest the need for strategic redesign as a necessary condition for structural transformation. Neither more of the same nor muddling through has a high objective probability of working whatever title is applied. Second, the absence of certitudes can create a type of discourse potentially more conducive to finding sets of partial answers and, perhaps, to seeing that single 'big answers' for all economies at all times are likely to be quite simply big mistakes. The record of such solutions is rather reminiscent of the 1970s "heavy industry" debate in which one participant tartly pointed out that while proponents variedly linked heavy to closeness to raw materials, to linkages to other sectors, to plant and machinery, to size of plant and even literally to weight of output, all the proposed heavy industries - public or private - seemed to be premised on heavy present direct losses justified by somewhat lightly argued externalities or future clawbacks.

However, at another two levels strategic uncertainly or incoherence are much more troubling. First, because **economies and states do exist here and now**, it is not **possible to suspend either policy or resource allocation while designing and agreeing on - much less fine tuning - strategy**. Delay in choosing can be as costly as a wrong choice especially when the present situation and trends are clearly unsatisfactory. Second, there is a consensus for examined, interrelated policy and resource allocation strategies which - if correct - places a **premium on getting most of the right components in approximately the right relationships as a matter of urgency**.

IV.

Elements Toward An Agenda (Agendas?)

Guide posts and elements toward an agenda - or perhaps different strategic agendas? - exist. What is lacking is a strategic vision linking them in any integral, articulated way or even testing whether all are compatible with each other.

- **Public Expenditure Review** (PER) in broad principle to avert unsustainable (unfinanceable without inflationary or exchange rate crises) imbalance, to identify inefficiency (including low priority uses) and to improve coordination is not, in principle, contentious. In practice, however, Bank PER teams (unlike micro and sectoral ones) tend to award an almost exclusive priority to macro monetary balance narrowly defined to be achieved by cuts even when these cuts raise unit costs by reducing efficiency - a context suggesting top priority should go to resource mobilisation with cuts in output of goods or services a last resort;.

- **Ultra Liberalism** (Southern Cone or Mexico 93-94 strategy) of resolving fiscal and external imbalance via sky high real interest rates which deter exports and increase the current account deficit in order to cut inflation below global levels (to claw back 'achieved' overvaluation) and to attract external investment (in goal long term productive, in practice footloose financial) is an IMF fashion (and also, despite recent doubts, a Reserve Bank of South Africa one). Many African Central Banks have adopted it enthusiastically despite the early 1980s Chilean and 1994-95 Mexican examples. Admittedly it has been a relative success in Uganda, but not in Kenya or Tanzania and is a potential economic time bomb in South Africa. The cost to exports and to long term investment can be very high and so soon as investors are worried about the exchange rate an unmanageable outflow is certain..

- **Liberalisation** in the sense of reducing state regulation, intervention, prevention and subsidisation is broadly agreed in principle. The practical issue are how far/how fast. In certain cases - massive exchange rate overvaluation (including that created by Ultra Liberal intervention) the case for liberalisation relatively rapidly - and for avoiding interventions recreating the problem! - is clear-cut. In others quite complex issues arise: is ending all safety regulations on public transport vehicles (as Mozambique did at one point) prudent economic liberalisation or an abdication of a state duty to protect life and limb? The **impact of liberalisation on business persons** is far more **problematic** than usually understood - first they like predictability and detest change and second liberalisation to them means ending rules impeding and subsidies costing them while tightening rules protecting and enhancing subsidies to others benefiting them. Thus the apparently paradoxical collapse of (already shaky) entrepreneurial "animal spirits" in Zimbabwe in response to rapid 1990-92 liberalisation.

- **Market Leadership** (or Dominance) clearly means seeking to respect, to study and to manage in tune with market forces, but in some cases goes on to neo-*laissez-faire* justified on "invisible hand" principles. Whatever the virtues of an unregulated market, Smith's "invisible hand" (competition among large numbers of small, relatively equal sized actors with minimal market power) is not very relevant to SSA today - except perhaps to make a strong case for anti cartel legislation in South Africa as advocated by its new Minister of Finance. In fact **intervention, like liberalisation is in the eye of the beholder**. The IMF and - to a lesser extent the Bank - have been very strong advocates of state intervention in respect to exchange rates (directly or via interest rates) and government wage rates (holding them below market levels judged by medium and large private enterprise scales). **No policy can be literally non interventionist (unless totally ineffective)** and given the **minimum necessary government expenditure level** (by the 1989 World Bank checklist about 35% of GDP if modest provisions are made for debt service, law-order-defence and administration) the **macro impact and the sectoral impacts of resource raising and expenditure are necessarily large**. The real issue is how and when to manage markets, how tightly and with what tools, i.e. in that respect SSA issues are not different in kind from those facing any government.

- **Downsizing the state** is more a slogan or a platitude than a guide to action. There is a broad consensus for reducing the state role in production, other than public services and public utilities (which are an area of debate), and probably for its virtual elimination at small enterprise level and -except for fallback enterprises to underpin competition and/or provide price floors/ceilings (e.g. buyer/seller of last resort grain enterprises) - in trade. Beyond production for general sale, there is some agreement on reducing both low priority activities and those in which the state has no evident comparative advantage. Which these are is less agreed, as is the potential for publicly funded/contracted out services (e.g. rubbish collection) and 'mixed ones' (e.g. secondary and tertiary hospitals). The Bank's - relatively middle of the road - position amounts to calling for a **narrower range of activities, performed more efficiently** (in output per unit of input), with **broader access and increased overall resource allocation absolutely** and (at least in 1989s **Toward Sustainable Growth** and most sectoral missions' reports) **proportionately to GDP**. That is, perhaps, not a set of goals particularly transparently captioned "downsizing". **Privatisation** is a related topic with contention more over how, how fast and why than whether. Actual auction sales seem unlikely to optimise future investment or output and, in most cases, to have limited fiscal gains beyond ending the need for budgetary subsidies and/or state mobilisation of investment funds. Negotiations centring on output, investment, export commitments tend to be long drawn out and opaque but can be far more strategically important. For example placing Zambia's copper industry in hands capable of financing and managing a doubling of output over 5 to 10 years for which the public sector has neither the financial mobilisation, the technical nor the entrepreneurial resources is crucial but can not be achieved by a public auction nor by any other fully transparent process.

- **Public Service Reform** began as an exercise in numbers (and real emoluments) crunching. This proved relatively futile in saving funds, but quite expensive in diverting attention, wasting time and reducing real output per (increasingly underpaid) worker. While some bilaterals still support that approach to downsizing, present directions are toward **root and branch reform/reconstruction** relating **professionalism** and **productivity** to targeted levels of **specified state functions** with **pay levels adequate to achieve productivity - probity - professionalism** and with **numbers a consequential not a driving variable**. Judging by Ghanaian and Tanzanian experience, such exercises take five to seven years after simple cutting approaches are rejected. The fuller the pre-action study the longer the delay in initial results. The home grown, make a start (but highly professional in instigation and management) exercise in Ethiopia has led to initial, apparently successful, steps within three years, but the Tanzanian domestic/Bank partnership one is on course to take up to seven because almost all major actions are to follow complete analysis, formulation and political debate/adoption.

- **Efficiency** is a universally promoted slogan which usually has some objective correlative. Because efficiency is an adjective, it is necessary to examine pronouncements and programmes to discern what the implicit noun is. The most generally accepted (acceptable?) definition would be **reduction in unit input to output ratios for comparable quality outputs plus elimination of non priority outputs**. In practice reduction of nominal (or price adjusted) expenditure is often substituted which is logically - and operationally - incorrect as output per unit input as well as output quality may fall, e.g. underpaid teachers having to 'cope' (therefore often absent) and with few if any books or teaching materials not surprisingly achieve poorer ratios of pupil years to course completions combined with significant quality declines (as perceived by subsequent educational institutions and employers) so that the true unit cost of primary education may well rise as a result of inefficient cost cutting.

- **Human Development** is partly an alternative title for human investment and partly an attempt to provide an alternative (UNDP's Human Development Indicator) or multiple, complementary alternatives (UNICEF's much more disaggregated child and maternal state of welfare/ill-fare indices and targets) to GDP per capita. The first and last approaches can lead to quantifiable targets incorporatable into an overall socio-economic strategy. Whether the second can is much less clear - the HDI is even more a black boxed experts' perception than GDP and one less readily related in an operational way to specific targets to be achieved by specific strategies and policies. At the other extreme, the disaggregated indices of UNICEF are eminently targetable but very hard to integrate into an overall macro economic or macro social strategy except by the method of setting minimum targets for a series of variables and iterating to achieve a viable macro balance. That approach was followed in some 1960s and 1970s planning exercises - e.g. those of Tanzania - but requires rather more (and different) economic component indices and targets than are now normally used in macro balance formulation.

- **Public Services/Basic Services** are related to human development in the sense that proponents of the latter are usually strong backers of high priority to the former, arguably on occasion at the expense of enough infrastructural investment and production friendly policies to make use of the human capital gains or to sustain the entitlement (household) side of food security whatever happens on the overall agricultural production and importation side. There is **little debate over the necessity of the state (including local government) being the main provider of basic services** in Africa nor much more about its being the **largest operator**, complemented with significant domestic social sector and smaller private sector inputs. Nor is the core of universal access target basic services: **primary and adult education, primary and core secondary plus educational/ preventative health services, accessible pure water, agricultural extension, access by income and safety net to adequate nutrition** the subject of much divergence of view. Whether certain other areas, e.g. **peri urban and rural sanitation, low cost housing, electricity are either generally or in some contexts core basic services is much more debated**. South Africa includes all three albeit with the last two contracted out to enterprise producers and with very substantial user charge components in intended resource mobilisation. On the core services - except water - the user fee debate has become sterile. Some user contribution (perhaps 20% in primary education and health services) can be achieved if a) a quick, accurate exemption system for absolutely poor households can be devised; b) payments stay at basic service unit level and can be seen to improve quality and/or quantity; c) both payment systems and source provision are user friendly. If the funds are indeed to be centralised and allocated in the main budget, indirect taxes are much more cost efficient sources (and usually relatively positively redistributive when contrasted with basic service user fees) and probably normally less politically problematic (e.g. a 20% increase in the tax on beer versus a $0.25 health service contact fee). The basic case for co-financing has to be made in terms of user participation in design, operation and review, not in terms of tax collection for which it unlocks few new resources and is massively administrative personnel and cost intensive relative to returns (and to alternative revenue raising).

- **Good governance** - like efficiency - is rarely opposed by anybody, but has widely divergent meanings. In a macro economic strategic context (the current World Bank perspective since resiling from early 1990s flirtation with broader democratisation modelling) it includes: a) transparency so that how resources are used is determinable; b) accountability so that errors - whether of judgement or of probity - can result in penalties and c) providing for hearing users in the broad sense (including enterprises as well as households and social groups) and making decision takers and implementers in some regularised, non-violent way subject to the need to alter radically user unfriendly policies and/or be removed for pursuing them. Technically this clearly requires improved (in quality, speed of availability and accessibility) accounts and independent audits as well as serious pre policy proposal (and especially pre budget) consultation complemented by post proposal debate. The problems of SSA are certainly different in degree (less accountants, less independent auditors, weaker consultation processes, few technically competent and politically independent parliaments, more personalised kleptocracies or neo Platonic dictatorships). Whether they are in kind all that different from other regions is more problematic.

- **Analytical and policy formulation competence** is an agreed component for strategic improvement. However, a) there is a tendency to concentrate too narrowly on very high level personnel and not on (usually much weaker) middle level gaps at data and draft option collection and presentation levels which lower top level efficiency; b) assuming analysts can induce political decision takers to act in ways decidedly adverse to their (or in some cases their constituents') perceived interest and/or c) begging the question of what the likely outcome of such a process will be - or rather assuming it will be the policies the proponent of capacity enhancement would now propose on its own It also tends to overlook two key reasons for general - albeit by no means universal - African analytical and formulation decline since 1979 despite a larger professional pool and greater time to have gained experience. The first is **low (often derisory) pay leading either to work diminishing (or corrupting) coping mechanisms or to exodus** from public service and often from the country, while the second is the **shift from African formulated proposals, subject to debate with and amendment to compromise with external actors, to external, teleguided or subliminally external model based proposals** with only very secondary African response in terms of negotiable modifications. As the World Bank - like a growing number of Africa intellectuals - has come to realise, the absence or perceived absence of programme "ownership" has a devastating impact on analysis and formulation by reducing its marginal value and by sapping morale in addition to its more evident consequence of political support base fragility.

- **Implementation capacity** - in terms of service delivery personnel, working procedures, institutional structures receives relatively substantial micro and sometimes sectoral attention and a general "priority" tick but without systematic articulation back toward micro - operationality. Four problems have become apparent with expert- especially expatriate expert - driven programmes. They:

  a. are inadequately contextual historically, politically and in respect both to constraints and to opportunities;

b. concentrate disproportionately on those - usually very senior - personnel with whom the experts are in regular contact at the expense of user contact level basic service providers;

c. in an attempt to buy off vested interests and to avoid ill charted political minefields - are too marginal when, in contexts of gross inefficiencies and extreme scarcity of qualified personnel, radical restructuring is likely to be necessary for qualitatively significant gains;

d. underplay the importance of bureaucracy - i.e. standard procedures to allow the routine 90% to 95% of activities to be dealt with promptly and consistently at lower and middle level while freeing higher level personnel to concentrate on design, policy, review and complex cases instead of being clogged with routine matters (in one case allocation of department car time and signing of petrol orders by the National Director).

There is some evidence national approaches with significant political decision taker input can perform better. For example, Ethiopia's civil service reform has concentrated on pay, professionalism, career structures and simple productivity checks for contact level service providers (initially in education with health now in progress). Mozambique's now national massive retraining of primary school teachers - delayed from 1975 to 1993 - was spearheaded by two Provincial Governor/Director of Education initiatives taken in their Provinces and only subsequently adopted by the Ministry, while on macro economic institutional restructuring Finance and Planning were coordinated/semi-integrated under one Minister and the duplicative and confusion producing Ministry of Cooperation was scrapped, whereas earlier UNDP provided studies proposed only marginal rationalisations in each of Finance, Planning, Coordination and Foreign with no clear lead role nor practicable coordination mechanisms, apparently because of an inaccurate belief anything more would be politically impracticable. That belief was true in the short run, and perhaps in terms of external team proposals, but not over the medium term and in response to domestic senior public servant and political decision taker pressures because the problems of competitive duplication were permanent but the objections to change were much more transient and dissolved following peace and an election.

- **Peace and Security** is a **universally stated point but rarely an articulated one**. The cost of wars - highlighted initially by SADCC, UNICEF and ECA studies - is accepted. So - perhaps less prominently - is that of high levels of social disorder and retreat of law and order short of war. In principle the survival to rehabilitation to development post-war continuum is also accepted, but it is not usually related in any coherent way to macro economic - or even macro political economic - goals. The governments of Mozambique, Ethiopia and - in a slightly different context - South Africa are notable exceptions in making such linkages. Given that about 20 African countries with over 250 million persons are in war - intense civil disorder - post-war patterns and several more are on the verge of entering at least the disorder phase, this appears a major conceptual as well as practical failure on the part of economists. Linked is **law and order** in the women in the field or the man in the shop's sense of ability to go about daily life without violent interference by anyone and with police/courts who do halt violence and act against violators with some efficiency and probity. The radical reaction against colonial "law and order states" - perhaps always more fervent at intellectual levels - has faded with the realisation that while **law and order is never enough without it there is not likely to be much else**.

- **Physical Infrastructure** restoration, modernisation, transformation is an area in which only minor disagreements as to pace and private sector role exist. Early SA - because of stress on fiscal imbalance reduction - had an uneven record (e.g. high priority from the start in Ghana but not in Kenya). Since 1989 the Bank has cited physical infrastructure and health/education as the sectors in which SSA resource allocation, primarily by the state, should double over a decade if competitiveness (at home and abroad) is to be achieved. The **low level of debate on dominant state roles** in most cases probably flows largely from the limited private sector interest - beyond telecommunications and South Africa - in the sector. Where public utilities are reasonably efficient in service delivery, profitable and can be financed on investment account via genuinely additional lending to the state (or the public enterprises) - e.g. electricity in East Africa - this is a pragmatic acceptance of reality. Where none of those characteristics apply - e.g. electricity in Nigeria - either radical public enterprise reform or partial sector opening up to private investment (beyond self help backup generators installed by users) would seem to deserve more attention. The trade-off is between potential efficiency and probity gains on the one hand and higher expected rates of return and risk premiums on the other - a balance highly sensitive to projected levels of cost overruns, corruption and inefficiency (financial and/or supply delivery) by public enterprises and regulators/licensers of private.

- **Education and Health** (with nutrition sometimes linked, albeit that topic seems to fit better under the poverty rubric) are now seen as priorities at two levels **universal basic coverage and "centres of excellence"** in tertiary education and research. A not atypical Bank review of a structural adjustment programme states "The challenge now is to improve the quality and coverage of education, health and nutrition, especially for the poorest." Contrary to popular impression, recent Bank global and SSA health studies call for broader state roles and more spending - only South Africa, Namibia, Botswana, Zimbabwe and Mauritius are even near its proposed public sector coverage, resource allocation and quality guideline levels on macro data and these conceal highly unequal access and quality in South Africa, Namibia and - to a lesser extent - Zimbabwe. However, agreement on priority - interestingly especially on universal access to basic services at no cost to absolutely poor users - does not result in clear articulation to agreed priority needs. External funders - not least the Bank - still place **disproportionate weight on buildings and equipment** and, often, **virtually none on paying teachers, nurses and medical technicians** (who in several cases receive $20-35 a month or well under half the household absolute poverty line) an **adequate wage** to achieve professionalism and productivity. Nor is the **weakness of primary service provider training** - especially in primary teaching - fully recognised as a programme and funding priority in those countries in which it is most severe (e.g. Angola, Mozambique). This somewhat skewed vision interlocks - at least at basic service levels - with the "user charge" debate. In many cases simple building and furniture construction and maintenance (including staff housing) plus provision of food (for staff, students, patients) would be more payer friendly, and probably more state budget friendly as well, than cash fees. Ethiopia - whose public service reforms are totally home grown - has begun selective use of housing provision (free or low rent) in rural areas and small towns; Ghana's functioning rural dispensaries have dispensers who receive food, help with growing food and sometimes house repairs in addition to (possibly in excess of) fees. **Water** is less commonly bracketed with health and education - albeit UNICEF and UNDP are exceptions and in Eastern and Southern Africa it is very high on users' (or potential users') priority lists. Still less common is focus on its **gender impact** - rural water collection often engrosses a very large share of women's and girl's time. In this case, because of rural time and urban low income area cash (to water peddlers) savings, potential user fees look more promising than for health (where point of use fees come when income is lowest) or education (where cash payment now for future higher earnings has a definite 'to him whose family hath shall be given' bias).

- **Participation** is a fairly general priority at slogan level. Reality is more than slightly different - or at least selective. For the World Bank and Ministries of Finance the main thrust is user (or at any rate non central government) **participation in paying**. This may well be useful - indeed necessary - in some cases and partnership arrangements in health and (less frequently) education between the state and the domestic social sector work well in several countries (e.g. Ghana, Namibia, Tanzania) and are being explored elsewhere (e.g. Mozambique). But it is **hardly the whole of participation** and to lead into broader user involvement requires keeping the finance at a local level and making service providing units user accountable. At the other extreme philosophically syndico anarchist bodies (e.g. Medicins Sans Frontieres - France) and hard line evangelising ones (e.g. World Vision) want to see the state out of basic services and - in practice - to substitute themselves as Platonic guardian experts. While the services may be very welcome (both examples are technically competent and dedicated) it is unlikely many ordinary Africans view them as participatory. Except for some State-Church (or occasionally Mosque) "joint ventures", participation in design, decision, operation and review - as will as funding - with serious user accountability is very unusual and has little applied academic or political base, despite domestic social sector (especially some women's groups, co-operatives and trade unions as well as churches and mosque) backing.

- **Gender** as an issue - or rather gender conscious design, pre implementation evaluation, operation and review - initially entered effective African development discourse from Northern NGOs and their influence on Nordic-Netherlands-USA-Canada bilateral agencies and subsequently on the World Bank. Before that African women's voices were rarely heard and their organisations even more rarely taken seriously. However, the catalytic external intervention has now linked to the - always present - potential African base to become an endogenous element. There are two very different approaches: a **structure of women's projects and institutions headed by a Ministry** and a broader seeking to **channel gender concerns into main line programmes**. The record suggests that the first leads to underfunding and marginalisation ("dolls for the girls" as one critic put it) while the latter - unless overseen by powerful political backers and a serious analytical and gadfly unit - may have no impact at all. Articulation is frequently abysmal since knowledge of the complex multiple gender divided household time, work obligation, income retention right and supply (expenditure or provisioning) obligation budgets of African households is very rarely available in detail and still less frequently used by senior government officials centrally or locally. Nor are the gender implications of universal access (disproportionately beneficial to previously underrepresented), providing food and emergency jobs to earn for food to women, nearby water and fuel access (provisioning or buying being almost wholly on the female side of the gender division line) been adequately recognised, explained or acted upon.

- **Ecology** (or Environment - Physical and Human to use a broader and more ordinary African friendly concept) is another case in which initial - late - entry into development discourse in Africa was fuelled by bilateral agency and World Bank response to Northern NGOs. In this case the merging of this impetus with pre-existing African concerns is still tenuous and uneven. The reality that **poverty** (as well as greed and, indeed, much more so for poor people) **erodes ecology because poor people cannot afford to do otherwise** is inadequately grasped, even conceptually, let alone operationally. So is its complement - **massive environmental protection** (whether restoring tree and bush cover or guarding animal reserves from poachers) **will not happen unless the desired actors gain by it**. An increasing awareness - among governments, donors, conservationists and even NGOs - does exist but one uncertain and incomplete enough that, to date, no articulated programme covering water - soil - vegetation - wildlife has been evolved at national level. The potential for **contracts** - e.g. reafforestation, bio diversity reserve protection, non-use of ozone layer killer chemicals for the costs of those programmes plus national ecological priorities, e.g. anti-desertification, air and water pollution reduction - **with the North** to help meet its priority **global eco targets** (ozone layer, global warming, bio diversity preservation, anti desertification) has not been explored seriously from either the donor or the African side.

- **Poverty** - or rather "poverty alleviation" or "**absolute poverty reduction**" - is a pervasive theme in World Bank analysis, operational directives, country papers (e.g. Mozambique has had two Priority Poverty Policy papers to its Consultative Group - both joint GOM/Bank products) and, much less uniformly or coherently, country programmes. The same can be said of some - not all - bilaterals and almost all UN Agencies (especially UNDP and UNICEF) and NGOs. Professional analysts - expatriate and African - are generally less at home with this priority and especially with articulating it to interact with other macro economic priorities. **African government positions are very mixed**. Some do have coherent anti poverty strategies - e.g. Mozambique and South Africa; more give clear priority to policies and resource allocations intended to reduce poverty but do not appear to have an integrated analytical or operational approach - e.g. Tanzania and probably Namibia and Botswana although the implicit strategic parameter set is clearer in their cases. A large group focuses on universal access to basic services (whose absence is a poverty component in common sense terms and ordinary African perceptions even if it is not captured by Household Budget Surveys) with tenuous - if any - links to complementary policies to enhance production by poor people. A not inconsiderable number show no evident political concern about or priority toward reducing absolute poverty. That a group is not limited to collapsed states and kleptocracies - e.g. Angola and Uganda fall into it, perhaps because of war time and post war survival priorities, as well as the Sudan, Zaire and Sierra Leone. In the cases of strategic analysis it is broadly agreed that three components are key (in ascending order);

  a. **safety net access provision** (SNAP) both for survival in the case of natural calamities or man made catastrophes to make livelihood reconstruction possible (the dead have no temporal future) and to alleviate poverty for structurally poor households;

  b. **universal access to basic services** (UABS) to increase present as well as future productively and welfare;

c. **production by poor people** (PPP) access enhancement whether by improved physical and market infrastructure or wage employment friendly policies (e.g. labour intensive construction) or agricultural research focused on innovations user friendly to small farming households or financial mechanisms accessible to small and micro enterprises.

In practice the first two components have received far more attention and resources than the third and - despite its evident logic - relief through development linkage and coordination is a fairly recent concept and one still foreign to most external official resource providers and most (not all) African governments. That pattern replicates an earlier era's African strategic weaknesses - massive expansion of health and education services without parallel development of ways by which most households could raise their incomes (and not incidentally by doing so finance the UABS drive through indirect taxes on enhanced purchases). PPP tends to be even more ghettoised than gender related programmes (though in some cases larger) and it is hard to escape the impression that the World Bank, most bilaterals and most African governments do not really believe absolutely poor households can increase their output/productively enough, soon enough, to be a serious part of macro economic answers to present crises. Mozambique **Reconstrucao** proposals of 1993 took an opposite view and presented worked through sectoral and macro linkage estimates to defend that position, but failed to secure serious donor attention (let alone funding) whereas isolated, small employment creation and rural revival projects do get funded but as add ons to main resource allocations to large scale economic activity largely serving and employing less poor people.

- **Transformation** appears on most priority lists whether the World Bank's or those of ACDESS (African Centre for Development Economic and Strategic Studies) or IFAA (Institute For African Alternatives). However, despite its undoubted power as a mobilising slogan, it is rarely clear what the objective correlatives implied are (correlatives in the plural since one doubts they are the same in the Bank's model as in either ACDESS' or IFAA's). The possible common theme is a need for **radical restructuring - especially of production, external trade (exports and imports), labour productivity, income distribution, the SNAP-UABS-PPP trio**. Whatever else they have achieved or not achieved, **Structural Adjustment Programmes** have with rare exceptions (and these largely restoring past levels or dynamics as in Ghanaian gold mining and wood processing) have - at most - **affected these structures marginally**. In that sense transformation is an assertion that fine tuning and incrementalism within present economic structures (in real as well as monetary terms) is not and cannot be made to be adequate. That proposition appears correct - and lies at the base of the Bank's shift first to core SA plus and now to post SA. However, until it is articulated country by country and sector by sector, it is only symbolically functional.

- **Economic regionalism** is a current priority agenda item in only one or one and a half sub-regions - Southern and, perhaps, Eastern Africa. The cases for integration are not seriously challenged, albeit neither the World Bank nor the ADB finds it easy to relate them to lending policy with about 1% clearly related to regionalism and 2% to 3% if projects conceived in regional linkage terms are included. Political and intellectual pronunicamentos are common - as they have been for a third of a century. But only in Southern Africa (now very much including South Africa) and via the SADC (Southern African Development Community) process have a **political economic vision** articulated to a - somewhat loose - cluster of sectoral policy packages and major projects achieved priority ongoing attention and resource allocation. Whether this is because SADCC is distinctly African and non-traditional (both as to initial focuses including food security and in recent initiatives to tackle interstate water rights tensions and allocations and to redefine security to include causal factors in a potentially operational way) or despite it, is debated. What is beyond doubt is that a vehicle for pursuing a broadening array of commonly perceived interest (including legitimate/elected governance, however loosely defined) has been forged and had the political sex appeal to be strengthened by the emergence of the New South Africa even though economic self protection against the Old had been its political leit motif for its first decade (as SADCC). In Eastern and Southern Africa the COMESA group has - more conventionally - attempted a trade and payments barrier reduction led integration process with some success, but has never gained comparable political mass partly because of an ill advised, personalised tendency to denigrate and to mount take-over bids for SADCC/SADC. Elsewhere in Africa - with tantalising but narrow and usually ephemeral exceptions - integration and regionalism have bleak records and are not closely linked to, nor influential on, national strategies.

- **Macro economic good housekeeping** (the author's term based on the Greek parent word for economics-aeconomia meaning good stewardship of a household especially, but not only, its economic aspects) to preserve the unsustainable imbalance reduction gains of Structural Adjustment by aiming for budgetary, price (including exchange rate), wage, investment, savings, external account, basic services and nutrition balance and monitoring results leading to timely action to correct divergences **before** they lead to crises is perceived as necessary in one form or another by virtually all analysts. Whatever other lessons 1979-95 offers one is clear - **early correction of growing imbalances before unsustainability threatens freefall is less damaging and faster** than putting off corrective action until deep seated, full fledged crises have emerged. The World Bank and pre 1990 ECA, neo-liberal economists and radical African alternative academics are in agreement on that point. Debate centres on speed, timing, degree of risk of overkill to be accepted and appropriate instruments (e.g. whether 50% to 100% real interest rates imposed on government paper to suck in footloose financial capital - as frequently advocated/imposed by the IMF - is good housekeeping or exactly the reckless, short sighted folly of which - by different instruments - many SSA governments have been accused). In part the debate turns on contexts and perceptions - small, very open economies with low reserves, limited policy instruments and easy access to external credit only when they do not need it, arguably need to act faster on impending imbalances and to impose shorter bridging periods than larger more financially secure ones. The **argument that this is unfair to small, open, weak economies (African or other) is valid** but **prudent housekeeping requires recognising realities - however unfair**. That is a case for pressing for the IMF to end its abdication of its primary charter duty - providing bridging finance to adjust to or ride out exogenous shocks - but not one for using resources as if such restoration had, in fact, been achieved.

Whether all of these elements should be included and if so whether as driving forces or supporting elements is not agreed. Nor are there consensi either on sequencing and timing or on how much historic and other contextual factors should alter the makeup of strategic packages at any one time or over time. For example, has the tendency of SAPs to become more differentiated and less uniform in content and, even more, emphasis been a strength or a weakness?

Stanley Please's answer that the core requirements in strategy formulation and operation are:

1. to **ask the right questions**
2. to **identify the key strategic components** correctly
3. to have **most policies reasonably close to an optimal range**
4. and **none precisely in the wrong direction** as well as of a faulty order of magnitude
5. with **secondary adjustment of policies and relationships routine, but massive uncertainty creating and dynamic halting 'back to the drawing board' exercises few and far between**

is a healthy breath of realism and processual contextuality as well as a potentially operational check list. But it is usable only after agreeing on key components and directions.

Finally the discourse - official and academic, African and expatriate - has tended to put very little emphasis on the **socio political and socio economic processes of building broad, deep and durable support bases** for strategic change and for sticking to it. How to convince entrepreneurs has received some attention - albeit the degrees of caution, of intense disquiet over uncertainties and of violent resistance to those aspects of liberalisation with specific negative consequences for particular enterprises have usually been grossly underestimated *vide* the weak and lagged response of enterprise and household investment to changes logically welcome to investors and even to negligible responses to several years of sustained output and - at least apparently - market growth. Equally there has been some attention to 'buying off' potential opponents - especially public servants or enterprise employees "redeployed" into unemployment - often disingenuously labelled poverty reduction. But an almost unquestioned faith that the self evident validity of new strategies and the speed with which they would pay off widely and visibly would create its own support base has dominated much of the discourse.

The implicit Says law of political economic support - supply of good policies creates its own demand - and of an inversion of Gresham's Law - a good policy drives a bad policy out - require at the least, sceptical examination. One weakness of **Structural Adjustment** - especially beyond the few years during which freefall is halted and a modest revival secured - is precisely its **lack of political sex appeal**, perhaps especially starkly underlined in the 1996 Benin election. Only a strategy which does assume central (public or private) planning, a policy illusion unconquered by experience (like a money illusion unconquered by inflation) and a passive, direction accepting public (as voters and as producers) which also acts productively and enthusiastically can logically treat broad understanding, acceptance and support as trivial. Those conditions are not consistent with flexibility, participation, market responsiveness nor with free and fair contested elections. This study can hardly attempt to provide answers to this bottom line political challenge - but it is important to pose the question.

This is especially true because in SSA the danger of **over commitment of resources** - in the sense of a national set of priorities allocations exceeding attainable levels of resources available for allocation - is especially acute. For example an economically as well as politically viable strategy for South Africa would appear to require 6% to 8% growth annually in total available resources. Unfortunately even with the political and economic structural adjustment attained over the past two years the realistic trend growth rate on present strategy is perhaps 4%. The three **simple answers to closing the gap are unsustainable** economically as well as politically:

- allocating as if the 6% to 8% were available (or putting blind faith in external resource flows whether derived from investment expectations, foreign assistance, or high interest rates to suck in footloose financial capital) can lead only to unsustainable imbalances, stagnation or worse, tears and socio-political crises guaranteeing growth;

- concentrating entirely on output facilitation and enterprise freeing is unlikely to provide the infrastructure and skills needed for sustained competitiveness and, therefore, to fail in its own terms. Further by implying near nil growth in personal consumption and real wages, together with very slow improvement in access to basic services, it threatens political sustainability not simply at electoral level but also at that of achieving industrial relations in which the normal nexus of higher real wages linking in a positive spiral with higher productivity can be attained to replace its notable - though readily explicable - historic absence in apartheid South Africa;

- focusing on universal basic service access, physical infrastructure, housing and better industrial relations/productively in the large enterprise sector might generate 6% short term growth, but would be likely to do so only with unsustainable fiscal and external imbalances and - ironically - to bypass the lower income small and household enterprise sector productively and pay crises.

That this ultimately political economic problem can be posed so readily for South Africa does not mean South Africa is unique or even unusual in SSA. Rather there has been more analysis and discourse - extending well beyond government and university circles. The R and D Plan is an imperfect attempt to provide enough rapid and visible gains to poor people (including productively gains with positive macro linkages) to allow otherwise politically corrosive prioritisation of present output enhancing measures to finance medium term basic services/human investment and real wage/labour productively breakthroughs. But it is a serious effort, broadly in the right direction, flowing from asking the right question and listening to answers from a broad range of persons and groups. Its recent incorporation into the Ministry of Finance is - in the actual context - evidence of mainstreaming and coordination with other strategic goals. Most SSA states have yet to embark on that process in any serious sense. As originally envisaged, Ghana's PAMSCAD was a similar, if less ambitious, exercise. But its conversion into particular programmes and institutional structures resulted - probably unnecessarily, certainly expensively in political terms - in loss of a coherent political economic vision and of significant involvement of potential beneficiaries in design or revision.

V.

A Record Of Underperformance: 1925-1995

Africa - especially SSA - has a poor overall growth record for at least three quarters of a century. The instances of spectacular growth - e.g. that of Ghana's cocoa/timber/gold economic core over 1891-1911, later replicated in the Côte d'Ivoire over 1960-1974 - are usually limited in space and time and represent initial "opening up" or "vent for surplus" booms which have then plateaued. The early 1920s may have been characterised by more general growth - in the context of more opening up and its Francophone "*mise en valeur*" parallel - but from the mid-1920s commodity and global recession, and later wartime transport and external finance constraints, led to negligible or negative growth beyond household self provisioning (so called subsistence). The 1950s efflorescence of colonial policy did produce fairly substantial physical infrastructure, output growth and human investment gains but from a very low base and by 1960 under pressure from the end of the Korean War commodity boom. The relevance of this period to detailed analysis of the present or future is probably fairly low. The broad record is relevant if only to demonstrate that **independent African states have not reversed a high performance colonial record** but, on balance, **continued one of underperformance** with achieved performance on balance higher, but targets even more so resulting in a higher *ex post* shortfall against *ex ante* targets. That conclusion is of but little comfort to ordinary Africans or to their analysts and political decision takers, but it is a **caution against wholesale acceptance of external models and proposals** let alone *de facto* recolonisation whether by governments, agencies, enterprises or NGOs.

The independence period falls into three broad categories: **Multi Year Planning** from 1960 through 1979 with a brief crisis management interregnum in 1974-75; **Crisis Coping** from 1980 through the mid-1980s with a substantial number of surviving cases thereafter; **Structural Adjustment** under that rubric building up from 1983 to be dominant in perspective by 1985 and in number of countries practising it in one form or another soon thereafter. Today, SSA is at another transition point - in the Chinese saying "the mandate of heaven has been withdrawn" from SA but, as in 1979-82 with Planning, it is unclear what new strategic consensus paradigm will emerge.

Continental reflections - let alone econometric analysis - are hampered because in no period have all countries practised the dominant mode and because even among those which did so - or at least asserted they did - the degree of coherence and articulation varied tremendously. For example, Ghana from the overthrow of the Busia Government until the second Rawlings Administration (two decades) lacked any coherent - let alone consistent - economic policy and the same can be said of independent Zaire for over a third of a century. Statements existed, but without analysed, articulated substantive polices, let alone implementation.

Similar considerations apply to performance - in the first two periods, and to a lesser extent during the third as well, trend performance has varied greatly. For example, prior to the 1990s both the Malagasy Republic and Ethiopia had near stagnant economies for almost 50 years with growth circling around 2% a year, while from the mid-1960s through the 1970s many economies, e.g. Cameroon, Kenya, Côte d'Ivoire, Tanzania, were on 4% to 5% trends with blips related to weather or external crisis and a few - notably Botswana from the late 1970s to the early 1990s - were on higher trends (10% in Botswana's case).

A parallel problem is the data base in respect to what are now seen as the two key economic indicators of performance: GDP Growth and Poverty. The data are weak, not necessarily comparable over time and even less comparable among countries. In the case of poverty this is compounded because until very recently poverty reduction was rarely highlighted as a separate target and even today the interaction of poverty targets and policies is rarely made explicit, especially in published documentation. These data issues are explored in more detail in the Annex.

A survey of 1960-1995 **target** rates of overall economic performance indicates that, with limited exceptions in the early 1960s and in early structural adjustment periods (taken country by country), **6% has been the standard growth target throughout**. Sub targets for exports and imports are less frequent and less uniform but on balance appear to be slightly lower for the first and higher for the second. Except under SA (and not always then) government consumption and investment targets have apparently been systematically higher than for overall output growth.

Conceptually the overall growth target and the rising share of public sector spending were not unsound. 6% is not inherently an unattainable trend and, with 2½% to 3% population growth, is needed to extend basic services, improve infrastructure, raise domestic savings to 20% and investment to 25% and have anything left for personal consumption growth. By 1989 in *Sustainable Development*, the Bank advocated doubling state health, education and infrastructure spending as a proportion of GDP. How closely these headline numbers were tied to project, programme and policy outcome projections is more problematic. The lower growth targets for export than for imports do suggest weak conceptualisation. Rising investment in SSA (indeed in the South generally) raises the import/GDP ratio more rapidly than domestic linkage development reduces it. Thus, unless an open-ended trade gap closed by external grants was seriously anticipated, these targets were inconsistent with sustained balance in principle as usually subsequently verified in practice.

Performance has varied more by period - 3.5% to 4% in the 1960s; 1.75% to 2% in the 1970s (with, however, about 5% over 1975-79); 2% in the 1980s and the first half of the 1990s. Against the backdrop of mid-1920s to mid-1940s near stagnation and average growth of perhaps 3% in the late colonial period, that implies an improved performance in the 1960s but one significantly below target. Following severe weakening in the early 1970s and falls during the 1974-1975 'first oil shock'/global economic environment crisis recovery briefly pushed performance to levels near targets but from 1980 it collapsed to one-third of target and has since remained stubbornly close to that level. That record does reinforce the modest claim (and implicit admission of its limitations) of then WB Vice President Jaycox on the occasion of the end of UNPAAERD that SA had halted freefall.

Economic Planning has its SA roots more in the colonial era than in Soviet experience. The Gold Coast (in the 1920s) and the Belgian Congo (from the late 1920s) had coherent strategic plans with key policies, projects and sectors targeted. These did provide a framework for overall state resource allocation (briefly prior to cocoa price declines for the Gold Coast and for 30 years in the Congo). Late colonial planning after 1945 can be described as "shopping list", but in many cases sectoral and policy priorities either shaped or were superimposed on the project lists. Macroeconomic frameworks were introduced in Francophone Africa - but unlike their analogues in French post-war planning, bore only a tenuous relationship to policies and projects because the monetary, fiscal and state enterprise levers used in France were much weaker in the colonies.

Early independence planning clearly rested on the colonial base but **sought to be more** in four senses:

a. a macroeconomic apparatus was introduced with greater or less iterative articulation among macro and sectoral;

b. all key sectors in which state action was intended were covered;

c. policies were given a larger role and - in principle at least - guided project selection, albeit they were rarely elaborated in published Plan documents;

d. multi (usually five), years were taken as the basic policy/project/resource allocation frame - itself a continuation of the colonial evolution from annual budgeting to three year (sometimes in principle rolling) planning.

Whether 5 Year Plans symbolised a more interventionist economic policy perspective is problematic. Colonial economic policy, whatever else it might have been, was very rarely *laissez faire*. However, one difference is real - colonial planning was territorial and ultimately an extension of metropolitan objectives, whereas independence planning was national and accountable primarily to citizens, or at least to those with significant influence within states. That distinction is a continuing one: **no externally dominated economic strategy can be primarily nationally accountable**. IFIs, UN Agencies, bilateral aid agencies, external NGOs and enterprise investors are accountable to quite different primary constituencies than are individual African governments.

Public sector investment dominance was reinforced and extended to directly productive enterprises (more specifically industry, mining and - in some cases - plantations) rather than created. Because infrastructure (including power) was almost all public sector in colonial Africa, the increase in state share of fixed investment turned as much on higher investment/GDP ratios as on the sectoral expansion of state owned activities. Indeed, colonial era state investment in mining and manufacturing was not uncommon just as independent hard line capitalist states (e.g. Rhodesia, South Africa, Côte d'Ivoire, Kenya) often had large to dominant shares in many mining, manufacturing, financial and large scale agricultural ventures.

Despite verbal glosses, planning was - with rare, late exceptions, e.g. Angola, Mozambique, Guinea Bissau, post 1974 Ethiopia - not socialist in the Central and Eastern European sense. Material balances planning (or even cross-checks on monetary balances to test physical plausibility in key cases) was notable by its near total absence - indeed that was also true of Angolan, Mozambican and Bissauan planning. Dominance of large scale production by public enterprises was a common outcome, but more in response to perceived (and historic) private sector unwillingness to invest in rapid growth and transformation than to ideological concerns. Instruments used to influence both public and private enterprise decisions were largely market (protection, interest rate, taxation) and shareholder supervision (usually split between Treasuries and sectoral parent ministries) ones, not detailed bureaucratic code based commands.

The quality of analysis, consistency of articulation and rigour or relating policy to programme to project varied widely. Until the early 1970s on balance it improved. Monitoring and overall performance evaluation were much weaker and showed little or no trend improvement. Indeed, evaluation of performance against plan is a near blank area - neither governments (even as part of subsequent plan formulation) nor academicians have given it significant priority.

In the case of monitoring, the basic reason is that Planning tended to be handled by separate central institutions up to Plan adoption, but its resource allocations and project monitoring (plus policy outcome monitoring in some cases) shifted to annual budgets and Ministries of Finance (another divergence from the Soviet pattern). Treasury monitoring flowed from colonial Audit - primarily propriety of releases and uses - and was rarely analytically or physical outcome oriented.

Consecutive Plans did not result in earlier Plan performance evaluation - nor in much alteration of the standard 6% growth target. The reasons appear to be threefold:

a. **Data on outcomes** during the second half of plan periods was not available during preparation of the next Plan;

b. **Changes in policy** - and more particularly chopping and changing in resource allocations both from budgetary constraints and from 'unplanned' political priorities, made direct relationship rather problematic as did the impact of **exogenous events**, especially droughts and bumper harvest years as well as terms of trade bust and booms;

c. Plans - like subsequent SA programmes - regularly **underestimated time lags** from policy and programme enunciation to operational articulation through resource deployment to project completion and performance impact. This was evident in reviewing results - albeit that was at best inadequately included in new Plans - but no systematic way of handling or interpreting lags was ever devised during this period or, indeed, subsequently.

Performance on goals beyond overall growth was also mixed and usually below target. **Food security** at national level was rarely an explicit target before the mid to late 1970s because it was rarely perceived as a secular problem. In general terms most Plans postulated (rather than programmed for) domestic food production to rise slightly faster than population with any gaps to be met by commercial imports and/or drought year food aid. Until the mid-1970s this approach appeared to work in Eastern, Southern and North Africa. That it did not in West Africa which was afflicted by an apparent climatic cycle change (lower and more uneven rainfall from the early 1960s) was not evident at the time, even though subsequent data evaluation shows a 2% or less 1960s and a still lower 1970s domestic food output trend - a situation which generalised to most of SSA from the mid-1970s with the probable exception of Southern Africa (including Tanzania whose domestic food production trend from 1961 onward appears to have been 3% to 3.5% or about 1% to 1.5% per capita when periods are chosen to measure average growth across drought cycles). Data remain very poor because estimation both of self-provisioning (household produced and consumed food) and of small scale local sales is very weak. 'Automatic' increases linked to assumed population growth have largely vanished from national accounts, but their successors - formulas to guess total commercialised food (usually linked to outdated estimates of urban population and equally dated assumptions rural household do not buy staple or other domestic food) and eyeball output estimates by district agricultural officers are often not much better.

Poverty reduction has been an implicit - and at overall statement level explicit - theme in African planning. However, in many plans its **articulation went little beyond assuming national output per capita growth, more access to basic services and rural infrastructure would have spread and trickle down dynamics** benefiting urban (a relatively small proportion of total until the 1980s) and rural poor households. Policies and projects were not subjected to poverty impact assessment, proportions of absolutely poor households set or outcomes monitored. Indeed, formal poverty mapping and poverty reduction orientation date - rather oddly - to the SA not the Planning period.

On the fragmentary data available, it would appear that in the 1960s the proportion of households in absolute poverty declined moderately to - say - 25% with little change in the 1970s. In each period there was a wide dispersion of levels and trends. For example, in Tanzania the absolutely poor proportion was estimated at 40% in the late 1960s and again in the early 1990s - probably with a secular improvement to 1979 and a decline to 1985 hidden within the 'stability' and with sharp short term swings related to drought cycles and effectiveness of food safety nets (after 1979 closely linked to food aid availability).

However, in **general inequality rose** - overall, urban/rural, intra-urban and intra-rural. With successive, comparable, even vaguely reliable national budget studies about as common as unicorns, any generalisations are necessarily built from a few pieces of jigsaw puzzles with heavy judgmental and perceptional elements. Two key factors in growing inequality were Africanisation and inter-zonal variations. Independence increased the range of African occupations. As more politicians, senior public servants and enterprise employees, medium and large scale business owners and commercial farmers became African, the African income distribution became more unequal even if the territorial remained unchanged. Geographically the urban/rural and intra-rural differentiations grew partly because of urban economic modernisation and diversification and partly because rural access to markets, infrastructure and services became radically more unequal not as a result of absolute worsening in peripheral (geographically, economically and/or politically) areas but of very uneven allocation of enhanced infrastructure and services.

Apparently poverty reduction and inequality performance (stated in equity and limiting inequality not Utopian egalitarian terms except for universal basic service access) were **strategy and policy influenced**. For example, late 1960s and 1970s Tanzania survey analysis - while somewhat problematic - suggests:

a. some reduction in absolute poverty;
b. lower overall inequality;
c. lower intra-urban inequality;
d. arguably lower intra-rural inequality.

Neither - weaker - Malawi nor Kenya data suggest similar trends on inequality nor percent of households in absolute poverty albeit - like Tanzania - average real consumption per household taken nationally rose over the period.

Tanzania had placed great stress on universal primary service access (not least rural water), infrastructure build-up in all districts, limits in (then controlled) wage and salary differentials, raising producer prices more rapidly than wages and ensuring (indeed subsidising) market access in peripheral rural areas. Despite unequal implementation and evident inefficiencies, these policies appear to have had an impact - perhaps confirmed by evidence urban 'informal sector' incomes appeared to track the official minimum wage while secondary and amenity food grower prices appeared to rise at least as rapidly as official staple food ones. Arguably they related to a tradition of contested (even if one party) elections in which dissatisfied constituents did retire about a quarter of MPs (usually including some Ministers) at each election.

The **crisis coping** (or failing to cope) period is, as noted, harder to define temporally. In most of SSA a **crisis management** mode was adopted, reasonably successfully, in the 1974-75 period reverting to planning until about 1980. From 1980 until sustained SA programming began, crisis coping was (is) dominant. Cross country non-uniformity is illustrated by Zambia. Real copper prices never recovered after 1974 so that crisis management slid into continued crisis coping. Pre-1991 SA programmes were brief, unsustained and punctuated by attempted reversions to planning which quickly dissolved into crisis non-coping. 1991-96 has seen a sustained SA strategy but one with sustained 1% to 1.5% real per capita GDP decline so that it partakes as much of modified crisis coping as of standard SA which normally (and in intent) achieves a halt to per capita decline trends within two years.

In a majority of cases, **1974-75 crisis management** involved a package of constraints on spending and of financing what were -accurately - perceived as stochastic (e.g. drought) and cyclical (terms of trade) deficits that would prove largely self-reversing. The expenditure constrictions (relative to previous growth and sometimes absolutely in constant price terms) varied in target. Tanzania, for example, sought to maintain fixed investment, basic service staff and operating supplies build-up while deferring maintenance and all 'optional' recurrent spending while some other countries put the bulk of cuts on capital project spending. Financing packages included the special IMF 'oil' facility, some enhancement of IDA disbursements, food aid, external commercial bank borrowing (eased by the petro dollar surplus in Northern financial institutions) and on occasion (and unwisely) building up commercial and debt service arrears. Parallel domestic borrowing increases varied widely as a proportion of additional financing and - because both interest rate and credit allocation policies varied - even more in impact on inflation and enterprise investment. Similarly the mix between aid import restrictions, arrears and devaluation varied sharply in respect to external account crisis management. For example, Tanzania devalued modestly, financed substantially, restricted imports sharply for 18 months followed by another 18 of phased decompression and avoided arrears while Zambia's financing was dominated by arrears and eschewed devaluation.

Because of the availability of finance and recovery - for most exports and from drought - the majority of these approaches did not run into sustained high inflation, import strangulation or unmanageable deferred expenditure and did lead back into rapid 1975-79 growth. In many cases that growth was fuelled by high levels of external borrowing - part of it commercial bank borrowing, including by private and state enterprises backed by state or state owned bank guarantees. With low initial external debt service commercial banks - awash with petro dollars - in some cases virtually took position "if it moves lend to it".

With the **1979-80** "second oil shock" a substantial number of **states tried to rerun 1974-75 crisis management**. In a few cases (e.g. Mauritius) this did work because a rapid export recovery (in the Mauritius case the take off of labour only enclave manufacturing following a decade of gestation) was achieved. In others the sudden caution of banks (especially after 1982 Mexican debt crisis) and the determination of OECD countries to put inflation squeezing ahead of output growth or employment protection - with the consequential absence either of special, soft IMF bridging finance or a terms of trade recovery - meant that crisis management rapidly unravelled into crisis coping in a constantly deteriorating situation.

Because the goal was (at least at the start) bridging over or riding out, fiscal and forex deficits were allowed to rise with lending and import controls used to avert full inflationary or capital/intermediate goods scarcity. When expected external soft bridging finance and export price recovery failed to materialise, the degree of overvaluation and of money creation (or enterprise squeezing) borrowing as well as of unserviceable debt was already out of hand and freefall threatened. This was true even of previously fiscally cautious states. For example, Tanzania had its first recurrent budget deficit in a decade and a half in 1978-79, its first commercial external payments arrears in 1979-80 and its first debt service arrears in 1980-81. With the failure of a 1980-81 attempt to secure Fund and Bank backing for a rebalancing programme focused on processed export expansion and fiscal correction by expanding the revenue base, modest 1979 overvaluation exploded to over 100% by 1982 and inflation from under 10% in 1976-78 to the 25% to 30% range. Successive fiscal and import tightening (including several small devaluations) averted collapse, but not 7% real output fall over 1979-83. Drastic 1984 austerity measures restored 1% to 2% growth but with no real plugging of external imbalance and at the price of 40% inflation. Many countries" crisis coping attempts were notably less 'successful'.

For this period (1981-85) African growth averaged below 2%. However, even more than for most periods that average is deceptive. Crisis coping economies on balance had -2% to 1% growth, i.e. -2% to -5% per capita and were running out of ways to defer payment for imports levels often already so low as to strangle output and export recovery.

SSA **food production growth was probably negative in several years over 1979-1985,** albeit the extreme results relate to interaction of drought and economic crisis or of those two with war in Southern Africa and the Horn. Interact because in the absence of economic crises (and war) prior droughts had been managed with much less severe consequences.

Income distribution results are unclear. Probably crises narrowed urban/rural gaps because of food scarcity, but in an 'all boats sink faster' context that was little comfort. Access to manufactured goods and to public services decayed rapidly from the periphery (including the ex urban new settlements around cities as well as outlying rural areas) inward to the centre. Together with the inability to sustain physical food supplies and in several cases intensified war, these clearly increased absolute poverty even if no consecutive survey household studies are available to document how much. In addition - taken together with two decades of urban drift - they created substantial permanent urban poor groupings which had (with the exceptions of Ethiopia, Egypt and Morocco) been either absent or very small relative to all absolutely poor households as late as the mid-1970s.

That was the backdrop to **Structural Adjustment**. It too has a prehistory. From the late 1970s the Bank had become uneasy with SSA project lending. Internal reviews suggested poor project results often related to poor macro contexts, so that improvement was unlikely to be achieved through a focus limited to the projects themselves. Meanwhile African states were concerned (as the result of very low pre-oil shock 1970-73 growth) that no breakthrough to a 6% growth trend was being achieved and requested the Bank to do a study on how to achieve and to sustain such accelerated development. The result was the 1981 Berg Report *Agendas For Action*.

Agendas For Action is not important because it set a permanent new framework for Bank policy. Arguably the Togo and Malagasy Republic programmes beginning at the end of the 1970s were more austere and balance restoration focused than either the Berg Report or subsequent SA programmes. Further, by 1985 the Bank had begun to stress that successful structural adjustment had to be socio economically positive in impact (with Ghana's 1986 PAMSCAD the clear symbol), by 1989 that SA was a starting point from which to restart long term forward progress (*Toward Sustainable Development*) and by 1990 that absolute poverty reduction was a priority goal (*WDR 1990* but also 1992-93 appearance of an implementation directive and a "How To" handbook for staff use). Long before then the chief author of *Agendas*, Eliot Berg, had denounced both the evolution and the initial report.

However *Agendas* was - and is - important.

a. it underlined the Bank's **determination to re-focus on macroeconomic strategy** especially fiscal, monetary and trade policy because a deteriorating economic environment made all (or almost all) projects under-perform;

b. while representing a verbal and - to a much more limited extent actual - **conversion to neo-liberalism** as preached in Washington, London and Bonn;

c. taking the form of calling for **reduced state roles**, albeit by 1990 this had come to mean less intrusive regulation, an enterprise friendly climate, withdrawal from production beyond public utilities and focusing more resources on broader and deeper performance of priority functions the private sector could or would not provide notably basic services and infrastructure;

d. and seeking to create a **consensus of official resource providers** partly to ensure non-adjusters could not evade the Bank's views by turning to bilateral sources (a piece of interventionist monopsonist cartel building somewhat at odds with its commitment to market competition) and partly to assist countries who found multiple, divergent resource provider conditionalities frustrated any coherent action.

These elements in the Bank's approach have endured. Indeed they are likely to inform its views on what strategic approach should follow structural adjustment. The *quid pro quo* for the Bank's remarkably successful consensus building with bilaterals (and in practice UNDP and most other UN agencies - resulting in UNICEF becoming the surprising spokesperson for unorthodox Structural Adjustment) was - at least until mid-1990s - reluctance to push hard on issues such as external debt writedown and the overkill growth in expatriate personnel provision. On both Bank views notably diverged from a *de facto* bilateral (and on the technical assistance front UN agency) consensus. A surprising side gain was a willingness - especially behind the scenes but increasingly quasi publicly - to diverge from the IMF, always in favour of more attention to rapid growth restoration, public service maintenance and flexibility on monetary and fiscal policy reform tempo and instruments. The divergence is not surprising - macro monetary stabilisation over 18 to 36 months is inherently different from phased real economy imbalance reduction (including by increasing inflows) to manageable levels and restoration of growth within 18 months. What is surprising is the Bank's increased willingness to push its position up to the point (but not beyond) of near open public dissent.

African country response to SA was initially largely negative. This related in part to tone and to rhetoric and to the unfortunate style, characteristic of the Bank, of always knowing better even when its new proposals reverse those it - as much as the SSA state - had backed a few years earlier. In addition, states were unwilling to accept how much more economically unfriendly to SSA the 1980s (and 1990s) were to be than the 1960s and 1970s. The SSA states had asked for the study in 1989, after all, to advise how to speed up and deepen growth, not to revert to managing low growth following severe austerity. A senior official of a well performing economy (which did not then or subsequently need an SA programme) was rather typical in saying "We asked for a loaf of bread and they chucked a stone at us!".

The acceptance of Bank crafted programmes had four interlocking causes:

a. **deteriorating crisis coping threatened to collapse into freefall** unless more external resources could be secured. Given the donor consensus, that was not practicable without a Bank/Fund approved SA programme;

b. the clear likelihood of **continuation of low Northern growth, stagnant official transfers and poor trade results** convinced a number of African policy makers and analysts that **radical austerity** was necessary and would be **less difficult if Bank backing led to augmented external resource provision**;

c. **some African analysts and economic ministers** favoured (or came to favour) a neo-liberal approach (or its ultra orthodox Marxian cousin) and **sought external allies** to win their domestic dialogues;

d. **domestically crafted structural adjustment programmes** even if incorporating many of the Bank's themes (e.g. Tanzania in 1984 and Zimbabwe 1984-89) were **unacceptable** even as a basis for negotiation and even if successful (e.g. Zimbabwe 84-89). At least until the 1990s, this remained the case despite the Bank's increasing (and by no means purely verbal) calls for African "ownership" of SAPs.

The **last serious African challenge to the Washington consensus on SA was the African Priority Programme for Economic Reconstruction (APPER)** brokered by ECA. When the UN Special Session turned it into a UN programme for Africa (UNPAAERD) and donors allocated resources via Bank led consultative groups with little evident relation to APPER's strategy let alone component projects that challenge (as well as substantial continuing interest in UNPAAERD) died. APPER was a modified version of 1974-75 coping writ large on the external and fiscal fronts. Additional net transfers were sought primarily to renovate and extend infrastructure (international public works in the short run and productivity raising capacity building in the long). However, this strategy was not as clearly spelled out as it might have been nor were the country articulated components fully comparable with each other or with the strategy. That led to criticism of APPER as a "beggars wish list". While probably fair comment on some country submissions, that is a serious misreading of the overall UNECA thrust. ECA's 1985 African Alternatives (AAFSAP) did up to a point keep discussion alive - as did UNICEF's 1987 *Adjustment With A Human Face*. But AAFSAP in fact overlaps actual SAPs in respect to the bulk of its proposals and the balance are largely directed to aspects of malgovernance by Africans. There is divergence on market management versus market non-intervention, but AAFSAP is ill-served by the most prominent concrete example posed - multiple exchange rates - and by its root and branch theological objection to altering - let alone allowing market forces to alter - the price of foreign exchange (devaluation).

UNICEF's manifesto was more influential because it was overtly revisionist rather than oppositionist, sought to add to SA not to derail or curtail it and was from a source the Bank could neither ignore nor patronise as it tended to do with ECA. The main themes were the priority economic as well as social need to strengthen basic services (human investment), the moral economy and market need to combat absolute poverty and the need for strong, adequately staffed and financed state action to achieve the prior two goals. To a large extent the Bank (and some bilaterals) accepted these criticisms and did seek to modify their approaches to SA to include them, albeit with mixed and usually limited results.

The *Lagos Plan of Action* and the Abuja (Common Market) Treaty of 1980 and 1990 respectively are sometimes perceived as alternatives to Structural Adjustment. On the face of it that perception appears odd. Since Lagos precedes Agendas, it can be treated as a path not followed superseded by crisis coping and then by SA. Because - except for a very detailed section on the mechanics of common market crafting - it is a strategic vision with very limited articulation and at no point focuses on imbalance reduction or economic good housekeeping that interpretation is almost certainly *ex post* except in the sense that continuing short term crisis coping for survival crowds out long term allocations for development. At the time Lagos was seen as a twenty year continental exercise in strategic planning - judging by the inordinate but rather pedestrian and ill chosen detail - focused on a common market almost in a revised Nkrumaist mantra "Seek ye first the Kingdom of the Continental Common Market and all else shall be added unto you". Abuja focuses exclusively on sub-regional to continental common market building not on overall strategy nor domestic political economy. It can be faulted for acontextuality and unrealism as to time tabling - certainly no progress has been made at continental level while sub-regional progress has been almost exclusively in Eastern and (especially) Southern Africa. But in respect to SA the relevant point is that the Bank has never opposed economic integration - in principle quite the contrary. Like the OAU/ECA tandem (and the ADB at least on its lending side) it has been unable to devise a coherent set of national - Sub Regional policy interactions or a relevant lending programme, but **to set up SA and regional economic integration as inherently competitive strategic approaches is misleading**.

Given the degree of **external prescription** - especially Bank but in some sectors (notably exchange rate policy sometimes including interest rates on government paper) the Fund - it is sometimes argued that SA period performance may be in Africa but is not by African states. That view of SA as recolonisation (a view held by some external and not a few domestic commentators) appears both overstated and contrary to Bank as well as African government intent. Certainly the post 1980 period has been characterised by more external designing, less willingness to discuss African initiated strategic frameworks nationally (sub-regionally SADC has swam successfully against this tide) and more mandated provision of expatriate personnel both in separate technical assistance projects and embedded in capital projects. But the shifts have not been uniform and it is fair comment that African states had from the early 1980s until the 1990s virtually ceased to put up strategic frameworks of their own to set the parameters for discussion and - even when energetic in seeking to influence agreed state/donor packages - tended to respond reactively to outside (usually Bank) proposals rather than to propose pro-actively.

Five elements in the unbalanced, external agenda framed dialogue on SA:

1. states who are - or are perceived to be - in broad agreement with the "Washington consensus" on SA have had increasing freedom to design their own next tranches and/or to incorporate non-standard elements, e.g. Ghana from PAMSCAD onward;

2. but these which bargain hard at the start and are suspected of being less than wholehearted have faced what the Bank views as gradual phasing in, and the African states as creeping incremental conditionality, e.g. Tanzania and, especially, Kenya;

3. While - up to a point - states with special concerns and articulated positions on them can secure their incorporation in Consultative Group submissions. Mozambique illustrates this in respect to priority toward mainstreaming poverty reduction (accepted and pushed by the Bank) and - as to limits - refocusing overall reconstruction after war on production in rural areas largely by small farming households (largely ignored despite articulated proposals over eight years);

4. until the 1990s national alternative framework agendas were unacceptable - e.g. Zimbabwe's successful 1984-89 home-grown SA turning on raising capacity utilisation and containing excess demand in the context of a full scale war (a situation which has, historically, been inconsistent with either a balanced recurrent budget or full scale liberalisation globally, not just in SSA). There has been a subtle shift over the past five years. Namibia, Ethiopia and South Africa do not have formal SA programmes and each has some unusual medium term poverty reduction and/or public services focused strategic thrusts. However, the Bank has accepted their political economic approaches as a basis for cooperation and worked as closely with them as with most formal SAP operators. Sub-regionally the only case of a strategic agenda posed to the international community as a basis for ongoing collaboration/resource allocation is that of SADCC/SADC. In this case - partly because of political considerations in the case of bilaterals and partly because there is no operational Washington consensus on sub-regionalism - the bilateral, Bank and international agency response has been positive and largely within the parameters for dialogue put forward by the African side.

'Ownership' has been and remains a vexed - and vexing - issue. The Bank has consistently, and increasingly forcefully, said it wished to see African SA proposals and to act through discussions based on these and by supporting elements within them with which it concurred rather than by continuing to serve as architect-in-chief. However, most African governments (and almost all African intellectuals) view those assertions with substantial to total scepticism. Why?

a. unless a country gets a draft Policy Framework paper or a Consultative Group presentation draft in early, the Bank will produce one itself thus setting the broad negotiating parameters;

b. the time allowed by the Bank for states to put forward amendments to drafts is usually very limited (much less than it allows itself) and transparency (i.e. discussion among a broad circle of decision takers and analysts let alone public dialogue) is distinctly discouraged;

c. while government amendments are read and sometimes incorporated, it is sometimes true that three successive clearly argued requests for alteration result not simply in an unchanged text but in no indication by the Bank why it does not wish to change (albeit pure inertia quite often seems to be the reason);

d. Bank professionals - especially less senior ones and consultants - often give the impression of massive arrogance and minimal local contextual knowledge (a critique even more generally directed at the Fund). While this may often be appearance rather than reality, and there have been improvements in style in this respect, the wide resentment resulting from the perception is a fact.

Criticising the Bank's (and *a fortiori* the Fund's) **difficulty in giving serious attention to non-standard African proposals** does not imply all of them have been sound or should have been agreed. Indeed, on the basis of substance it can be argued that the **Bank** has - at least since the late 1980s - been **middle of the road on speed, toughness, poverty aspects**. The Fund has always been more 'big bang' oriented and inclined to insist on draconic anti recurrent budget deficit or inflation reduction measures whatever their causes and the social or short to medium term growth costs of draconic monetary and fiscal compression. The Bank has not.

In at least two cases (Malawi under the former President and Zimbabwe over 1992-95) the Bank has (with limited success) pushed for less wage compression and both more secure safety nets and larger poverty alleviation programmes. In Zimbabwe it appears to have been appalled at treating drought relief (and revenue shortfall) deficit impact as analogous to excess demand creation for the purposes of fiscal and monetary austerity and at cutting of Social Dimensions Programming in the face of drought linked absolute poverty increases.

In the case of Mozambique the cleavage has been between the Bank, most bilaterals and the Government of Mozambique on the one hand and the Fund on the other. 1995 saw successful tight monetary and fiscal policy and - including aid, but also export growth - a sustainable external account position. However, the inflation/devaluation cycle did not improve markedly. Why is unclear; a) expectations? b) diversification of assets by domestic businesspersons? c) use of Maputo (the easiest place in Southern Africa to acquire hard currency notes legally and at no premium) to supply illegal economic enterprise elsewhere in the region? The Fund's preferred prescription of cutting basic service restoration and physical post-war rehabilitation spending even if fully funded by non-inflationary domestic sources plus soft aid was rejected by the EU, most bilaterals, the Bank and the GOM- apparently successfully. Certainly the initial response (and responsibility) was that of the GOM; the present point is that the Bank agreed and said so to both GOM and the bilaterals.

The argument is not that Bank perceptions are always wrong or always more restrictionist than African. It is that **African states** - by being **too responsive and too little pro-active** - and the **Bank** (as well as EU, bilaterals, the Fund) - by being **too ready to put up overall proposals** and to **appear** (whatever the reality) **unwilling to enter into serious dialogue** beyond their own agendas - have created a **dysfunctional (for all parties) dialogue and negotiating framework**.

The way out of that cul-de-sac is assuredly not to criticise SA *per se* or to launch tirades at the Bank. Rather it is to put **reasoned redevelopment with good housekeeping proposals** on the table as a basis for strategic and operational dialogue. Helping SSA governments who bear the primary responsibility to do so is first and foremost a duty of the ECA, the ADB, African intellectuals and domestic social sectors plus national business communities. Expecting 'like minded' bilaterals, UN agencies or friendly expatriates to do so on behalf of Africa and Africans is unlikely to work and is also an abdication of responsibility - these should be supporting (or critical) actors responding to proposed strategies and parameters.

Results in the second half of the 1980s and the first half of the 1990s have improved only marginally over the 1970s as a whole and the first half of the 1980s while remaining stubbornly below both the second half of the 1970s and SA's own 4%+ overall growth targets let alone the 6% generally sought by African decision takers.

The first half of the 1980s probably saw the trough of **GDP growth** - perhaps 1.5%-1.75% with the second half showing some recovery but only 2.25%-2.5%. The first half of the 1990s show a fallback to about 2%. All of these rates are below population growth. However, there is very considerable scatter by country and by year. The former roughly relates to policy - at least in the sense of having implementable policies which in practice has usually meant SA - but the latter and to a considerable extent the former, relates to external climates with terms of trade and weather better in 1986-90 than in 1981-85 or 1991-95 and the peace gains in Ethiopia, Mozambique, Namibia and South Africa in the 1990s at best ameliorating the overall terms of trade and debt overhang impact except in the case of Ethiopia which has pushed growth to a 4% to 5% trend (about twice any prior period)..

Food production has been erratic. If may have increased to a trend 2% to 2.25% compared to 1.75% in the 1970s. That is within the margin of error of the data. First drought cycles are unstable (whether secularly worsening or not is unclear) and the second half of the 1980s was a relatively benign period overall. Second, some agricultural output estimates are little better than randomly selected telephone book numbers as to absolute magnitude and even the best appear to be sticky not swinging up or down enough because area estimation is stronger than that of output per area unit. That however does not hide two stark realities:

a. **population growth averages are probably in the 2.75%-3.00% range** (albeit they may well be inflated at present because of a comparable stickiness in projection related estimation);

b. **average shortfall** from basic nutritional standards is now about **20%** after food imports and would - for SSA - be about 30% without them.

To cover the needs of increasing numbers of people and to wipe out the average shortfall over 15 to 20 years would require 4% growth rates of food production - approximate doubling. The Bank is brutally honest in concluding that whatever else SA has achieved there has been no significant correlation with growth of domestic food production. That is not an entirely surprising conclusion. Overall 1970s food production trends bore limited relation to real official crop prices (10% explanatory power for agriculture overall and probably 0% for domestic food production).

Poverty changes since 1980 are unclear but almost certainly negative both as to **proportion in absolute poverty** (estimated at 30% by the Bank in 1990) and **depth of poverty**. That trend has apparently been worse in countries without coherent policies but the most evident and extreme losers are victims of war and those of drought ratchet effects when wiped out livelihoods (especially of pastoralists) proved non-restorable with a resultant upsurge in 'landless' (even if the real loss was often the capital stock to use the land) labourers and in urban (or ex urban township) absolutely poor households.

Because the new absolute poor are - wherever now resident - primarily of rural origin their increase as a share of population is probably linked to low growth of food production. The basic income - including self provisioning - of poor and/or vulnerable (but not initially absolutely poor) small family farming households is domestic food. For them grains (especially maize), livestock and root crops are the most common main cash crops. Low output growth - exacerbated by war and drought but also from population growth reducing farm size and/or pushing the cropping and grazing frontiers on to poorer and more drought vulnerable land - tends to result in more need to buy food, lower nutritional levels and less cash income which beyond some point forces temporary or permanent abandoning of their homes with an almost universal and usually permanent descent into absolute poverty.

That pattern suggests that the rather wide scatter of food output growth - from negative to 3.5% - is probably paralleled by a similar scatter of absolute poverty proportion charges. To the extent SA has revived urban economies (primarily by increasing import access and fiscal underpinning), it has widened rural/urban gaps especially as for domestic food there is no evidence of systematic terms of trade shifts in favour of food. The probable intra rural worsening is dominated by war, drought and land quality elements in a majority of cases so cannot reasonably be related to macro economic policy at either continental or at national level, except to the extent these fail to build livelihood rehabilitation after the crisis into safety net and survival programmes.

To attempt to relate overall SSA out-turns to SA on a time slice basis is inherently futile - vast as the energy devoted to attempting to do so has been. Comparison between adjusters and non-adjusters is very problematic:

a. for no five year slice are the countries with SAPs at opening and closing dates the same, i.e. most "adjusters" are that only for part of the period;

b. the degree of seriousness of SAPs has varied - from negligible in Zaire to very high in Ghana;

c. the "non adjuster" category is very non-homogenous with one group of economies in no need of SAPs, one following largely SAP like policies but not in a formal Bank programme and a third practising crisis non-coping.

d. attempts to 'adjust' raw data for weather, terms of trade and war shocks appear logical but, in practice, attempts to do so are highly judgmental;

e. most SAPs have been adopted when growth had become very low or freefall loomed close so that early year SA results would, on the face of it, be likely to be below any SSA average unless the "non adjuster" group was dominated by "collapsed states" or compulsive crisis non-copers which appears not to have been the case until the 1990s.

Attempts to compare pre and post SAP adoption secularly are also perilous:

a. the massive worsening in external economic environment plus war and over 1980'85 and 1990-93 drought would lead to expectations of post 1980 results significantly poorer than those of the late 1970s whatever strategy was adopted;

b. the lag between SAP adoption, implementation and results has never been estimated empirically either by country (where it would appear to vary from 1 to over 5 years except in some cases for resource transfers) or for SSA overall which would logically be a prerequisite for sequential temporal evaluation;

c. the most serious comparison is not between trends before (usually poor, deteriorating and vulnerable to catastrophic collapse) and after, but between actual SAP out-turns and the hypothetical ones of better designed SAPs and/or potentially feasible alternative strategies. That, of course, means estimating one or more counterfactuals which is always a subjective and imprecise exercise;

d. in the SA context potentially feasible alternative strategies is a slippery concept. Once the Washington Consensus emerged, enhanced (or even constant) external support - with the exception of emergency survival support - was not available except in the context of a SAP or a pre-SAP preparatory period. Therefore many states had no viable alternative. However, that is somewhat different from saying none existed subject to a different resource transferor open-mindedness. To argue that is in practice to assert that the neo-liberal Northern consensus since 1980 has been wrong since SA is in a very real sense a secondary, external aspect of that consensus.

A striking aspect of most attempts at SA vs. non SA comparisons for SSA as a whole is the **absolute poverty, nutrition, basic service access and similar indices to complement GDP**. There has been no lack of assertions about them, but a solid empirical base has not been built either by proponents or opponents. The reasons are not far to seek - weak data, often non-comparable across countries, frequently non-comparable over time in the same country, available only for a few widely separated years with reason to suppose straight line interpolation would not be a safe way of filling in gap years. However, assuming public services, nutrition health, pure water, infant mortality, life expectancy are important development indicators more effort to building up such a base - first nationally by censi with smaller sample studies between - would appear justified; not to continue the SA debate after the strategy's demise but to have a broader, sounder base for strategy, policy, programme monitoring more generally.

The Bank's 1994 evaluations of SA - and especially the country case studies - were more serious and sophisticated than most. However, they are subject to several criticisms (or limitations):

a. the **measures of effort** (e.g. reduction of overvaluation, reduction of budget deficit) used look rather more like **measures of results** influenced by exogenous variables as well as policy;

b. the conclusions are **surprisingly volatile in respect to modest changes in 'effort' definitions** - e.g. substitution of reduction of domestic bank borrowing for reduction of budget financing requirement radically improves assessment of performance in Mozambique and Tanzania;

c. while export and overall output **correlations** with SA effort - as defined - are clear neither agricultural output, domestic savings, fixed investment nor - surprisingly - real net external transfers per capita are demonstrably correlated for the adjusting group albeit all but agricultural output appear to be in some.

The study on the whole supports the assessment that SA as operated: ended freefall and restored GDP growth to that of population or above; failed to achieve full turn to sustainable fiscal or external balances; achieved neither the human investment nor the fixed investment recoveries needed for building to 6% growth; did little to reverse the weakening food output per capita secular trend. It is rather doubtful other exercises could add much more precision except at a disproportionate research resource opportunity cost (taking transformation strategy exploration and building up a better quality and broader development indicator base as the alternative uses).

VI.

WHY PERSISTENT UNDERPERFORMANCE?

Reciting the broad record is enough to demonstrate the existence of underperformance relative both to national goals and to other regions in the South. Arguably 4% trend annual growth - fairly frequently achieved as five year trends in a majority of countries before 1980 but only by Seychelles, Mauritius, Ghana, Botswana and Tunisia since - was adequate to avoi implosion up to 1980 in a majority of countries. With past erosion of per capita output and of infrastructural and direct production capital stock and the escalation of imbalances it is no longer likely to be high enough to be sustainable. Reducing the imbalances, rehabilitating the capital stock and providing enough room to extend basic services and allow rising personal consumption requires a 6% growth trend. By that test underperformance is now massive overall (2% average achieved) and severe even for middling 'good' performers (4% achieved average).

Recital however does not identify contextual, initial, policy, external and other causes of underperformance. It is therefore not adequate to provide guidelines for how to do better. Causal factors are disputed - in large part because they have often tended to be sought for blame shifting, rather more than for corrective process identifying, reasons. The evidence suggests there are several causes in most (probably all) cases, but with quite different contextual combinations and weights from case to case and probably period to period.

External Environment - Failure To Restructure

Africa - other than at some periods, oil exporters - has faced a **relatively unfavourable economic context since 1960 and one which appears in retrospect to have worsened decade by decade**. With terms of trade and per capita aid (especially excluding emergency survival relief) both on downtrends since the late 1980s (and with massive, unpayable debt overhangs in a majority of cases) the present situation and prospects are dire. In addition, both global (WTO process) and specific SA related trade liberalisation are distinctly threatening unless Africa becomes more competitive, i.e. reverses a trend going back at least a quarter century.

While some practicable policy priorities - e.g. external debt writedowns linked to varying country ability to service - do flow from the present external economic environment and prospects, the basic strategic point is rather different. **Africa - at least SSA - has failed to transform/adapt production and export structures** in ways seizing opportunities and reducing vulnerability. A majority of Asian and Latin American countries have achieved such adaptations/transformations. To assert this may not be to condemn past African actions but the underperformance - however caused - is a crippling reality Africa needs to overcome.

SSA traditional exports have fared badly in quantity partly because their real global prices have fallen (and producers responded), partly because of gross currency overvaluation, partly because of failure to invest in real cost reduction. To restore SSA's 1970 share under present market conditions would so erode prices as to produce negligible (or negative) net foreign exchange gains for many economies. Transformation - whether by new buoyant primary products, pre export value added processing or manufacturing - of export - bases is essential to sustaining 3% to 4%, let alone breaking through to 6% growth.

In one sense this is to argue that African states (and enterprises) have failed to adapt to global market changes they had no chance of resisting externally nor of halting at their borders. But it is not necessarily a prescription for *laissez faire*. Few economies with reasonable post 1980 export growth have practised *laissez faire*. They managed markets and intervened to create present incentive patterns for enterprises to adjust to take advantage of projected global market changes. African intervention was usually much less market linked (or well analysed) and even when it was (Tanzania's stillborn 1974 export transformation component in the otherwise implemented and successful 1974-76 crisis management to renewed development bridging strategy), it was rarely given actual implementation (policy, personnel and resource allocation) priority.

Inadequate external resource flows is a equally complex and problematic causal factor. Excluding relatively atypical horror story cases, at any one time more external transfers - especially fixed investment in infrastructure and directly productive assets throughout and also in basic service consolidation and expansion since 1980 - would have improved performance. But in the absence of coherent strategic frameworks and the presence of export unfriendly policies (which pushed up net transfer levels needed for any level of growth or development) as well as ill-chosen, incompetent or corrupt use of many transfers, the long term impact is less clear cut.

Further SSA has not on the whole had less transfers per capita (including both ODA and commercial loans/investment) than other regions. *Au contraire*. Again the situation is complex: initially South Korea and Taiwan did have much more aid **per capita** and subsequently much higher commercial lending/foreign investment. Singapore, Hong Kong and - to a lesser degree - Taiwan had access to huge pools of low cost flight capital accompanied by experienced entrepreneurs. Of the emergent Southeast Asian NICs, Malaysia had high ODA but Thailand did not and their 1980s-90s inflows are primarily commercial loans and investments pulled in by past and projected high growth and perceived export competitiveness. While India and China have accelerated growth on the back of large investment inflows, both did relatively better than SSA earlier when investment, as well as ODA per capita, was much lower.

If low transfers is a causal factor the two dominant policy points are probably:

a. how to **limit declines in real per capita ODA** and to transform it to be more effective (e.g. cut the 40% typical *de jure* plus *de facto* technical assistance component and work out a transition to reduce the need for high emergency alleviation and recurrent budget support components);

b. identifying **conditions** (e.g. sustained domestic demand growth, export friendly policies, trained labour force, decent infrastructure) necessary to **attract significant external investment** and set out to **create them** - and to publicise them convincingly where and when existing.

Any general request for "more" in respect to aid is likely to bring the same answer as Oliver Twist received, or a package of conditions which - however well intentioned - limit strategy to marginal reform, not basic adjustment or transformation of structures. Similarly the tax concession or wage repression routes to foreign investment are not much use if markets, security, infrastructure and qualified labour are absent, especially so when the concessions and repressions feed back to erode markets, fiscal bases, public service productivity and the type of industrial relations consistent with trend growth of labour productivity..

The **1996 UN Special Initiative** is welcome, $2,500 million a year targeted on basic education and health services plus peace and security including household and water food security could - if well used within national strategic frameworks - yield substantial results even if over half was reallocation within existing flows. **But** the 1960-1995 experience (including relatively positive period and country experiences) is that major results require African strategic frames within which to utilise the resources and speedy attainment of domestic and export performances/potentials seen (with a 2 to 5 year lag) by investors and banks as justifying non-official flow increases. Otherwise UNSI will, like UNPAAERD, end in tears and recriminations but - unlike UNPAAERD - not in the back to the drafting board to try again exercise which has led to UNSI.

Debt overhang is **now** a reason for underperformance for both payers and non-payers. For full payers it usually absorbs 25% to 50% of export earnings - to an aberrational 100% plus in Uganda apparently *de facto* financed by returning flight capital. For partial payers - including those *de facto* servicing Bank and IMF obligations plus special export or other forex flow secured commercial bank credits only - e.g. Tanzania, Mozambique - the burden can still be up to a third of export earnings. For non-payers the burden is that ***de facto*** **defaulted and rescheduled, but still outstanding, debt remains at least a potential future burden** and thereby discourages not simply foreign lending and investment but also domestic investment in production which could be compromised by a future debt service squeeze. The same deterrence burden rests on part payers and on overstretched full payers. Therefore G. K. Helleiner's comment: "Reducing the current external cash flow obligations and payments on debt account ... will thus probably be the most cost - efficient form of official external transfer to Africa in the 1990s" is correct. In this context the **public or private status of the lenders**

and borrowers is largely irrelevant. It is the actual and potential fiscal and import capacity haemorrhages that matters.

However, with some exceptions dating back to the late 1960s - e.g. Ghana and several smaller Francophone West African economies - the debt service burden dates to the mid-1970s so far as it relates to rising external debt and to the 1980s as to perceived unserviceability. Until mid-1985 the existence of a general excessive SSA debt service burden was not recognised even in Africa. Before 1975 it arguably did not exist in a majority of cases. In fact the rapid post 1973 debt rise had two sides: a) on that of **supply** Northern financial institutions were awash with Eurodollars they wished to lend at significant margins and the standards of risk assessment slipped (and were very unsophisticated indeed) and the IMF was over 1973-83 rather in cautious in granting short term *de facto* commercial terms loans to finance long term structural external imbalance, while b) on the **demand** side sluggish exports and poor 1970-74 GDP performance (or sometimes still longer stagnation, e.g. under 2% a year trend 1945-1975 growth in Madagascar and Ethiopia) led to an equally ill risk tested rush for growth via external borrowing. When the 1980s brought general economic and especially export value stagnation or decline (and tighter risk assessment ended easy roll over of principal and roll up of interest), the situation became unmanageable. In some cases it was made even more so when short term near commercial rate IMF drawings were used to try to put debt service on a current basis (as in Ghana in the 1983-85 period) before SAF and ESAF were created largely to bail the IMF, donors and selected SSA economies out of debt service traps of their own making during early SA and Paris Club programmes. But the point remains, **neither access to external resource flows nor excessive debt service burdens appear to have been a general cause of underperformance before the 1980s**.

The last exogenous cluster of explanations turn on agricultural **natural resource endowment** and vulnerability to drought. These are - up to a point - valid. Africa has the **poorest continental person/arable land ratio in the world given land quality and existing or known/readily applicable technology**. The basis of the last constraint may be lack of value for money from research and extension in Africa, which until the 1980s was often near or even above typical Asian and Latin American levels as a proportion of GDP but much lower in apparent payoff. Whether lack of investment in irrigation is part of the present constraint is unclear. Most (not all) past irrigation spending has been low in payoff and irrigation reduces drought vulnerability structurally only if a major permanent water source flows through from outside the drought vulnerable area.

South Korea's agricultural sector was never dynamic nor was it a source of financing or supplying foreign exchange to industry. Up to a point Brazil's has been (with massive changes in export crops unparalleled in Africa) but only Malaysia and, again up to a point Taiwan, Thailand and Colombia, fit the model of high natural resource endowment leading to import capacity, fiscal and savings flows channelled from export agriculture into transforming other sectors to launch sustained development. Apparently equally well endowed Côte d'Ivoire failed to make any such transition. When agricultural export earnings faltered, the rest of the economy was too weak (or too young?) to counterbalance it, much less take over the leading role.

Again the question comes back to why Africa has been so slow to transform and to build up self sustaining sectors outside the natural resource based ones. Related to this is failure to transform agriculture (other than mechanistic efforts to replicate plantation and large state farm experience parallel to both coming under growing criticism, and frequently going into decline, elsewhere) which is a sub-theme of non-transformation.

Outside agriculture no general statement on natural resource endowment can be made. Some - by no means all - 200 mile zone fisheries are rich as are some mineral and hydrocarbon sectors and some forests. Again while opening up (and world price) booms have been triggered by these assets, integrated, buoyant economies have not followed even in the case of South Africa. Nigeria for example has had four commodity booms (one tree crop and three oil) since 1955. Each has led to unsustainable personal and state consumption growth and to industrial sectors unviable without net forex from natural resource exports at boom level. Clearly transformation has repeatedly not happened. Kenya has had a parallel record of booms laying the foundations for subsequent poor performance. In Indonesia the experience is different: the first boom/bust cycle was similar, but thereafter Indonesia did begin to achieve, and now is close to having achieved, self sustaining transformation.

War is a clear cause of underperformance. It has also been a growing one at least until the early 1990s. Southern Africa (including South Africa), the Horn, Central Africa and - increasingly - West Africa have all been hard hit. The least speculative estimates show over $60,000 million cumulative GDP loss in the nine original SADC (then SADCC) members over the 1980s; twice the achieved actual 1990 GDP. But while Horn experience fully supports war as the main cause of underperformance, in the SADC 9 the 1986-1990 growth rates - admittedly from severely impacted bases and with great effort - exceeded the SSA average and the (then not war afflicted) West African sub-regional one.

Poverty of Acquired Resource Base: Physical, Human, Institutional

Poor resource base is almost certainly a - perhaps the - dominant continuing causal factor. However, the resources in question are: **physical infrastructure, human infrastructure, state capacity to deliver** (especially basic services), state (and enterprise) **ability to respond pro-actively to opportunities and shocks** and - probably - **good governance** in the sense of transparency and accountability (to an electorate, national objective oriented dictatorial decision takers or internalised value structures). Taking SSA as a whole, each of these appears to have improved modestly in the 1960s, varied sharply in the 1970s and deteriorated (at least relative to the requirements imposed by rising populations and a worsened external economic environment) since. SA has slowed or halted the fall in a number of cases; only in Mauritius can it be said to have been midwife to a transforming reversal.

Unlike natural resources these **Acquired Resources** are the result of **human decisions and especially of resource allocation priorities**. However, they (plus the natural resource augmenting fields of agricultural research and geological/hydrological explanation and technological research) are sectors in which **sustained allocations within a long term perspective strategy** are needed. These can be implemented by rolling or sequential four to six year operational plans linked to three year rolling Annual Budgetary Processes. Crisis coping is emphatically not an efficient approach. Three year rolling macro resource management to reduce or contain imbalances (structural adjustment) is also inadequately forward looking and opportunity focused. In principle longer term sectoral strategies can be bolted on to an SA frame (as, especially in Education and less uniformly Health, the World Bank has indeed advocated), but the relation between core SA and associated longer period substantive strategic visions has too often resembled a Christmas tree and its balls or tinsel streamers.

In all of these sectors crisis coping led to **deferral of both physical maintenance and operating input flows** (e.g. books, drugs, furniture) with little initial apparent damage. When - as was usual after 1980 and not unknown even before - crises continued, longer term deferral led to rapid deterioration in serviceability of plant and in quality of services which were reversible only over three to five years of massive reconstruction. Even though more attuned to renewal, maintenance and operating supplies than pure crisis coping, SAPs have often been unable to meet the bill so that while freefall has been halted, recovery and advance of infrastructure (physical, knowledge, human) has been very slow with a negative feedback via costs (e.g. of bad roads and productivity (e.g. of ill-trained workers) on output recovery and advance, e.g. Tanzania 1986-96.

In this respect the 1970s High Noon of Multi Year Planning did fit better. 10 and 20 year Perspective Plans for education/manpower, health and water were moderately - and increasingly - common and usually the relevant Five Year Plan sectoral sections did seek to articulate them into operational, shorter term chunks. That relationship has rarely been regained since.

The **physical maintenance debacles** of the 1980s exacerbated a longer standing problem. **New projects have more political sex appeal** - e.g. visibility, seen gains to constituents, attractive contracts for enterprises - to African governments and to donors than do maintenance, or even rehabilitation unless so profound as to be capable of description as a new project. SA has not addressed this problem fundamentally. The Bank has stressed maintenance (as have a few African Treasuries after deferral, e.g. Tanzania 1975-77, Zimbabwe 1980-82) but most bilaterals have in practice focused on new (or total reconstruction) projects. There are exceptions - e.g. SAPs in Ghana, EU programmes in some countries, the SADCC (now SADC) transport sector strategy and project packages (interestingly deliberately described as new projects even though about 75% were renovation and modernisation precisely because the new project titling was - apparently correctly - seen as more saleable to donors) - but on balance maintenance remains an under-favoured, underfunded stepchild.

If this Acquired Resource Base cluster is key, then **either SA needs to be transformed** into a long term strategy focused on strategic, substantive sector perspectives **or to be slotted into a substantive goal driven strategy** as a good housekeeping parameter. Otherwise SSA costs from poor, uncertain and/or costly transport, power, water, communications will remain high and competitiveness shrink *vis-à-vis* other economies while at the same time poor health and education levels will hold down the growth of labour productivity with the same negative consequences.

Public service access and quality are central to Acquired Resource development. The former - except for some aspects of health services - has stagnated in SSA for 15 years. Exceptions have usually been post-colonial 'opening up' of human investment e.g. Angola, Mozambique, Zimbabwe. SA facilitated recoveries (e.g. Ghana and - at least in Health Services - Mozambique, Tanzania) offset by falls elsewhere (e.g. Sudan, Nigeria, Zambia, Kenya, CAR). Public service quality, quantity and unit cost depend in large part on productivity, professionalism and probity of **Public Servants**. There is near total agreement that African public services have deteriorated - but not on why. In most cases high wages and rapidly growing numbers leading to high - unsustainable or sustained at the cost of cutting maintenance and operating inputs - appear to be either myths or historic problems of the 1960s and 1970s not the 1990s. On reasonable ratios of servants to services most SSA public services are **too small** (even if not all present posts are needed or incumbents suitable). For example in Mali universal primary education alone would require a doubling of the entire present public service. They are also **too little qualified** and **too low paid** (usually under half roughly comparable medium and large scale enterprise sub-sector rates for the job). That appears to be the cumulative result of economic crisis coping and structural adjustment. Its consequences are public servant **coping** (not being at workplace or not working on public business, collecting privatised 'user fees', acquisition of government goods and services for 'own account' use and corruption proper), low productivity (because of coping - most notable in revenue collection where the 'user fees' are by tax evaders for not 'getting on with the job' unlike - say - health where they are for doing it for paying clients), lower morale and weakening training (with supply constrained by fiscal weakness and demand by the need to maximise time for 'outside earnings' and the very low real gains from promotion after training). **An ironic parallel result is massive reallocation of stagnant official external resource flows into provision of expatriates and overseas courses** to plug gaps largely caused by public service underfunding - a reallocation which *de facto* **reduces resources available for domestic payrolls and nationally based educational/training programmes**.

To state the problem is not necessarily to provide a clear answer. Certainly cutting numbers and real pay are no longer seen as a high road to public service reform. But the apparently self-evident answer of **rapidly phased-in decent pay paralleled by reprofessionalisation, clear and enforced productivity standards** (not least being at the workplace and at work) with interim finance by reduction of public servant replacement technical assistance is not generally accepted, although it is receiving a serious hearing now which it did not in 1990 or before. The only state to have embarked on such an approach as a strategic priority to date is Ethiopia - out of its fiscal peace dividend.

One sub-area is an exception - **tax collection**. The clearly sound element in proposals for separate revenue collection services is not apolitical policy autonomy (a slightly odd goal on even casual reflection), nor is it automatic achievement of probity (existing quasi autonomous revenue collection agencies are no advertisement for that and were in some cases set up precisely to facilitate selective skimming or non-collection). Rather it is that a separate agency can more easily have a clean break to a **pay-professionalism-productivity package** which is much more efficient (in revenue per employee and the ratio of revenue to collection cost as well as total take for any given set of taxes and rates). Apparently the links when the service has a clear monetary output (collection value) between decent (higher) pay and improved efficiency are clearer than when - e.g. road maintenance, learning, health - no such direct and independent measure of output value is available.

Good Governance - Unpackaging and Articulating

Another cluster of reasons for underperformance - agreed in broad principle but less so on any articulated basis and still less as to strategic objectives and their operational articulation- cluster around part of the **good governance** package:

a. accurate, honest, timely **accounts** (so that transparency, accountability and economic management are practicable);

b. **accountability** (of public servants and of politicians within the state system as well as to the citizenry and to users - or would-be users - of services;

c. **transparency** (to enable holding to account);

d. some **concept of public service and public goals** (even if with class or geographic biases but still antithetical to the perception of public office as primarily a means to personal gain).

It is idle to claim that these elements have characterised all African states or to deny that in many they have eroded significantly since the 1970s (and sometimes before) with most subsequent reversals fragmentary, limited and fragile. That weakness is not limited to personalised kleptocracies and collapsed states - in very varying degrees it is general.

To argue that these characteristics are cultural is doubtless correct as to form and detail but not if taken to mean that the principles are either not universal ones or are alien to Africans. Clearly pre-colonial African states did not have published, audited accounts (a late 19th Century development) but **accounting in the sense of reporting and accountability (within the state structure and to its citizens) and a sense of public service were deeply embedded in many (by no means all) African cultures and states.**

To question whether they have characterised other poor regions is more problematic. Marcos and his coterie ran a personalised kleptocracy (which rotted public sector probity from the top down); South Korea's economic miracle was hardly characterised by transparent accountability to its citizens nor by overmuch honesty at the top. But the Marcos regime (especially its late efflorescence) was not typical of Asia - nor even of the Philippines. And in Korea public servants were accountable within the system, accounts (for management and internal accountability purposes) were of a high standard, public goals were set first with corruption a means to access to public programmes/projects not the driving force in designing them.

The most commonly cited reason for chronic underperformance is **policy failure** (more colloquially lousy decision making). This is unfortunately a protean criticism, applied with the benefit of 20:20 hindsight, often by institutions or persons who supported (or did not oppose vehemently) the decisions when made or for a number of years thereafter. Some components are:

a. decisions at least **arguably correct when made** and on **available data** (including projections) but **persisted in too long** when contexts changed and/or more data (not least of unsatisfactory outcomes) became available;

b. attempts to **replicate past crisis management strategies in radically different contexts** - notably to rerun relatively successful 1973-75 ones over 1979-83 when parallel bridging finance was not to hand and (contrary to what the IMF, the Bank and the OECD projected at the time) rapid Northern economy and global trade recovery were not about to happen again;

c. **overextending the range of functions performed by the state** - quite possibly inherently and certainly in the context of increasing resource scarcity;

d. **failing to make strategic** - as opposed to 'coping' **responses** to the first three elements, e.g. keeping the same range of functions but decreasing resource adequacy of all, allowing short term financing and acceptance of initially modest overvaluation in response to external shocks to drag on from six to 18 month bridging periods to a year after year process of digging deeper holes;

e. more generally becoming **responsive** not **proactive** (to shocks, to Bank SA constructs, to multiplying weaknesses and growing imbalances), **short term** (even at the expense of making future coping harder) and **unreviewed** (accreting a myriad of leak plugging actions - not least in forex management - which were increasingly ineffective, self-contradictory and counterproductive in respect to medium term incentives to enterprises as well as to fiscal receipts and public service performance);

f. allowing **non-maintenance** (of human as well as of physical capital and of public services as well as of revenue collection) to build up to become an overhang every bit as damaging as that on external debt account;

g. **poor analysis** prior to decisions, worse **monitoring** and review and deteriorating **accountability** and **public purpose frameworks**.

This categorisation of decision taking weaknesses is perhaps **more relevant to economic performance or to good governance than a market/state division or a catalogue of sectoral decisions**, because underperformance has been the rule not the exception and has deepened at least since the late 1970s across both highly and less interventionist states. Clearly if that is a reflection of reality, then the other causal elements of underperformance have interacted with it. The tighter the resource constraints the less room for error; the more acute the crisis the greater the need for strict scrutiny of coping measures and for charting a strategic path out of crisis; the greater the erosion of public servant and decision-taker pay the greater the likelihood of deliberately 'poor' (from an overall public interest perspective) decisions at all levels from micro to macro.

None of the above points undermines the need for better decision taking but they do suggest both that it needs to relate to the addressing prior causal factors and to include gaining some room for manoeuvre in respect to resource availability.

VII.

SAVINGS/INVESTMENT: GAPS AND SHORTFALLS

Sub-Saharan African investment rates in the period 1986-1993 were effectively flat, opening at 17.4% and closing at 17.5% of GDP with rises in the late 1980s reversed in the 1990s.

On the whole - with some, e.g. Ghana, exceptions - SA has had a relatively low impact on investment and possibly a low negative one. By and large the fastest investment result of SA is a cutback in state directly productive investment, the slowest a significant rise in general external enterprise investment, with state infrastructure investment and domestic private investment responses intermediate (and uneven). New export opportunity seeking investment rendered attractive by real devaluation (e.g. gold in Ghana) may pick up quickly once investors believe SA will last. Overall government investment in SSA has fallen and non-government risen (7.2% to 5% and 10.3% to 12.0%) respectively. Part of the explanation for the government fall lies with the shift within (falling per capita) external assistance inflows toward programme (budget or import support), survival (especially food aid) and technical assistance (dominantly expatriate personnel and overseas courses) and away from fixed investment projects. Given import and recurrent fiscal strangulation, drought and war the first two shifts have usually been prudent in output and human investment terms. Nonetheless, they have delayed infrastructural rehabilitation and extension in a context in which substantial private investment interest had not - and in most cases (Botswana and South Africa could be exceptions) and sub-sectors (external and long distance telecommunications is a probable exception) will not soon - be substantial.

The figures are even more stark when converted to net investment. Replacement cost depreciation (fixed capital consumption) accounting suggests 10% is a reasonable depreciation/GDP ratio - not the 2% to 4% based on historic cost depreciation set against current price GDP in many SSA national accounts. That leaves **net investment** of **7% to 8%**. Assuming an overall capital/output ratio (including infrastructure) of 3 to 3.5 that is **adequate for a 2% to 2.5% sustained annual growth of output**.

That the actual growth has been near the apparently sustainable over the period is largely a coincidence. Most SSA economies have substantial **surplus capacity** and deteriorated but not destroyed capital stock on which **rehabilitation and modernisation** could have low capital/output ratios. Zimbabwe's 1984-89 return to a 4.5% to 5.0% growth trend was based on a strategy of raising capacity utilisation (from perhaps 75%), fighting a war without massive inflationary borrowing or trade gaps and seeking to achieve external investor/donor confidence and peace before the capacity bottleneck was hit - estimated to be in 1990. Neither event happened, leading to the - through 1995 - most unsuccessful sustained SA programme in SSA. **Capacity utilisation/rehabilitation can launch** recovery but (like SA) **cannot sustain** even moderate trend growth without much higher net investment levels to take over as capacity nears full use.

High growth economies have typically had **25% to 35% gross investment**/GDP ratios. On a 10% depreciation rate that translates to 15% to 25% net and at 3:1 capital/output ratio to sustainable growth of 5% to 8%. Further, with a very much younger average capital stock, high growth/high investment economies tend to have more rapid productivity gains (thus lower capital/output ratios) and greater competitiveness (thus less export inadequacy and/or devaluation problems).

Domestic savings over the 1981-93 period in SSA were also basically **stagnant** opening at **14.0%** and ending at **13.5%**, again with rises in the late 1980s reversed in the 1990s.

Government savings - surprisingly given common assumptions about SA budget impact - **fell** from **1.1%** (excluding grants) to **minus 2.6%** with the falling trend consistent. In part this may relate to war and drought costs but the total war costs probably peaked in 1990-91 and fell by 1992-93.

Revenue rose (in real as well as current price terms) but real expenditure recovery rose faster. One factor is increased basic service provision and maintenance (relative to GDP) in government budgets. That, in itself, is a positive factor. Further - at least in most SA cases - 1990s government deficits are significantly less inflationary than mid-1980s because of the substitution of external loans and grants for domestic bank financing. However, in many cases the dominant increase is debt service (external and domestic) which may be necessary but is not output enhancing.

Private savings have risen from 12.9% to 16.1% but with the gain early and oscillations following. The **domestic savings/investment gap** has **risen** slightly from **3.4%** in 1986 to 4.0% in 1993 with narrowing to 1990 (2%) followed by broadening.

The domestic/savings investment gap and the government financing requirement as %'s of GDP are **not particularly high** compared to high growth economies structurally transforming from raw material export basis, broadening basic service access and deepening infrastructure (e.g. Malaysia, Thailand). But in those cases the overall investment and domestic savings to output ratios are much higher.

It can be argued that SSA investment is underestimated:

a. labour and waiting time household investment (e.g. land and tree crop development) is not included and user built housing probably grossly underestimated;

b. import ratio based fixed investment estimates will understate investment if the import/construction-plant-equipment ratio falls;

c. rehabilitation/deferred maintenance may be classified to recurrent not investment account.

The third factor is not in practice significant - major rehabilitation is taken in the capital account on the government side and (for tax reasons) on the private as well. Indeed, if anything, it is probable that more routine maintenance is listed as investment than rehabilitation as recurrent (consumption).

The second factor probably was significant over 1960-79 when the import content in construction declined with initial industrialisation. That did not apply equally to plant and equipment except in South Africa and Rhodesia (as it then was). Given the very sluggish to negative industrial sector trends since 1979 - and an apparent increase in the use of foreign construction firms - it is doubtful that this factor has been significant from 1980.

The household time and labour self-investment factor is significant (including in comparison to high growth economies where this sector is less important). It might raise the average **investment gross level by 3% to 4%** (and the **net by 2% to 3%**) of GDP. Domestic savings would rise *pari passu*. However that is a **minor improvement** if the overall investment gap between SSA and sustainable 6% to 8% growth is of the order of 15%.

Domestic savings are underestimated because of **external investment** (not necessarily capital flight *per se* so much as asset portfolio diversification). Because domestic savings and short term capital movements are largely residuals in national accounts estimates, high errors and omissions in the balance of payments and evident - but usually very hard to quantify - export smuggling not matched by private inward remittances strongly suggest externalisation in savings. So too do suggestive evidence implying some officials/politicians receive 'side payments' abroad and invest them there. Data for a serious estimation do not exist - **5% of GDP would not appear implausible**. However, these are flows not affecting and - in the absence of contextual change - not accessible to finance domestic investment levels. They are relevant in a strategic sense if, and only if, it is possible to create a context in which they (and existing stocks of overseas prudential assets) are switched to domestic investment. Uganda seems to have achieved that position from 1992-93 but may be unique.

Possible Causal Factors

There are a number of obvious causal factors - including output per capita - which explain much of the low domestic savings. While correlation analysis does not confirm this over 1986-93, it would appear likely that low growth also deters investment - especially foreign, but also domestic, private investment since over capacity and low demand growth hardly improve incentives. However, these relationships do not help at the strategy level for identifying ways to improve results.

Public investment as a proportion of GDP is **positively correlated with private**. That suggests the dominant effect is complementarity (infrastructure) **not** crowding out. The logic of access and of cost reduction (and thus those of competitiveness and of both enterprise capital and labour productivity) support this result.

Perhaps surprisingly, **ODA per capita** is slightly negatively correlated with investment as a proportion of GDP. The nature of the link is problematic - very weak economies may receive high support levels, especially in respect to survival relief. Given the positive public-private linkage, it can hardly be because ODA (for infrastructure, basic services and emergency survival relief) crowds out foreign investment. Dividing SA and non-SA economies interestingly gives a positive ODA-investment correlation for the former. Whether this reflects better use of ODA by the former group, the very heterogeneous nature of the non-SA group (not needing as well as deemed ineligible) or the fact that except for Mozambique the main war loss cases were not in the SA category over 1986-93 (or some of each depending on country) is unclear.

Real interest rate correlation with domestic **savings** in SSA - as elsewhere - is not significant. On the **investment** side there would appear to be a **negative** impact for evident reasons. This is especially true if enterprises have no access to (lower rate) foreign borrowing or are deterred by exchange rate anticipations. Logic - and somewhat sketchy qualitative assessment - suggests a **worsening of investment quality**: long term is riskier and falls relative to short term (commerce) except - for reasons which are less evident - luxury housing, offices and commercial premises. The risk factor may be related as much to a history of sudden rises as to absolute levels - any firm borrowing heavily to invest in fixed assets in Zimbabwe over 1984-89 (with inflation of 12-15% and real interest rates of 1% to 2%) was pushed to the brink of insolvency from 1990 when both inflation and real interest rates soared. In that respect the initial impact of SA (or any other) elimination of negative or sharp increase in positive real interest rates, is likely to have a negative impact on private investment.

Devaluation is - at least directly and in the short to medium term - negatively correlated with investment in SSA. The primary factor - at least if the devaluation is real, i.e. not offset by inflation - is the **higher absolute and relative cost of fixed investment** because of its high direct and indirect import content (probably about 75% excluding SSA judging by 1980s Zimbabwe analysis). A second factor is the disastrous impact of substantial devaluation on balance sheets and cash flows if substantial external liabilities exist. On the supply side (except for export oriented investment which would also be less impacted on the cost/selling price side) external investors and lenders respectively find a context of rapid devaluation likely to reduce profitability of their investment and/or serviceability of their loan. Conceivably this is not a factor if devaluation is relatively low (e.g. 3% to 8% a year) and predictable (Indonesia has been cited as a case) but neither pertains in most of SSA.

Like the interest rate correlation, the devaluation one is problematic as to what to do. Negative real interest rates are usually associated with generalised price distortions as is gross overvaluation and the latter clearly has a direct negative impact on export growth and - therefore - the ability to finance the import content of investment. But they do suggest **sky high real interest rates** (sucking in footloose financial capital, crowding out private borrowers if the main instruments are Treasury paper and likely to cause overvaluation) are **unsound** as is a spiral of **high, variable and apparently unending devaluations**. Whether this argues for a "big bang" (as in the case of the CFA franc) or a phased (but substantial and time bounded) adjustment is unclear and probably contextually determined. For example, if the exchange rate is overvalued by more than 10:1 massive initial cuts are needed; if under 1.5:1 perhaps a steady downward float over three years would reduce negative shock impact and feedback into an inflation/devaluation spiral.

The case for devaluation is strengthened by the **negative correlation** of **persistent external imbalance** with investment (and output growth via import constriction and therefore capacity under-utilisation and under-maintenance). However, devaluation in that case can only be an initial good housekeeping ground clearing - **structural transformation of exports**, plus reasonably **efficient import substitution** especially in construction and light engineering and of their overall growth is the strategic answer. External finance is at best an intermediate answer since rising ODA to plug an ever increasing current account gap is implausible and whatever the profit rate the prospects of future non-remittability and/or devaluation losses would deter long term private investors and lenders.

External debt and **debt service** (relative to exports) are negatively correlated with investment and savings. This is hardly surprising since they drain otherwise investible surplus and deter inward enterprise investment. The latter impact - which is cited by actual investors and financial institutions - flows from debt overhang (arrears and/or debt rolled over with no evident exit route to full servicing) and future exchange rate, convertibility and domestic demand uncertainty. In this case the current Bank/Fund position in respect to general writedown of debt service to a manageable level consistent with 6% growth (evidently varying contextually on what percentage writedown is appropriate, e.g. 0% for Botswana and Mauritius, up to 90% or more for Mozambique, Tanzania and future post trauma Zaire, Somalia, Sudan, Liberia, would appear the sensible and potentially practicable way forward. Appeals for universal writedown levels as opposed to general, objective criteria for determining country specific levels are more likely to deter than to facilitate actual writedowns.

Intermediation - or rather its low level - is frequently suggested as a cause of low investment and savings. Using Broad Money/GDP ratios as a proxy for intermediation, SSA's (excluding South Africa's) grew from 17.7% in 1960 to 26.1% in 1980 and then declined to 22.6% in 1990 versus 26.2%, 40.2% and 78.6% for East and Southeast Asian developing economies. The difficulty with this apparent correlation is that its direction is unclear and that the Asian M/GDP ratios in 1990 range from 34.4% to 173.9% with no clear correlation among M/GDP and I/GDP levels or GDP growth trend.

Increased intermediation increases **visible investment** - especially in SSA - by switching some self-financing to depositing for lending. That is true across the range of producer sizes, albeit household enterprises are likely to depend primarily on own cash and labour flows plus unrecorded intermediaries ('informal' or 'traditional' credit groups) for the foreseeable future.

Whether the overall levels of saving or the quality of investment would rise appreciably is unclear. To the extent contingency savings are now held in goods or pension and insurance funds which automatically put cash flows into low yielding government paper, the probable answer - at least to the second question - is yes. But the gains in SSA seem unlikely to be large. Higher rates of growth and of per capita income plus broader access to insurance and funded pension schemes are desirable and would require more intermediation, but the linkage would appear to be from growth to rising M/GDP ratios more than in the other direction.

However, one major potential imbalance which could be eased by intermediation has received little attention. That is **financing government infrastructure and public enterprise public utility investment**. By 1989 the World Bank estimated required levels of infrastructure/utilities investment at 15% of GDP, versus actual levels of the order of 5%. There is little reason to suppose the orders of magnitude are very different today. Further, initial high growth periods in economies like Malaysia and Thailand do appear to have of the order of half of fixed investment in infrastructure/utilities (say 15% of 30%).

Financing via government sector savings is an implausible goal in most SSA cases - achieving recurrent budget balance before grants is itself a significant and difficult target for a majority. Increased ODA for these projects is likely to be possible only by reducing the need for budget support and emergency relief and the donor tendency to raise technical assistance. Depreciation plus operating profits of utilities could perhaps generate 5% (one third of the total).

Increased World Bank borrowing on Bank terms and export credit or external commercial bank borrowing are prudent for only a handful of countries, at least until external debt writedown is achieved. Private investment is possible in telecommunications, perhaps power, conceivably ports, but is likely to be relatively small at least for a decade. Further, it is likely - except in South Africa - to need to be largely foreign given technical requirements and scale of individual units.

That leaves a substantial gap - **3% to 5% of GDP** on fairly optimistic assumptions as to state finance from present sources, utility own resources and new external borrowing/investment. The only source available (potentially) is private savings. These would need to be intermediated, e.g. insurance companies, pension funds, investment funds (loan and perhaps equity) on a scale which has not (except for South Africa) been attempted.

Small and medium scale business are frequently cited as sectors to benefit from intermediation. This is not self-evident. For **household and other micro enterprises** the **transaction costs** (including risk of investing time and not getting loan for enterprise and to banks risk of lending and not being repaid) are likely to be **prohibitive** for direct lending by recorded sector financial institutions. Special smaller, closer to borrower intermediaries (borrowing from basic financial intermediaries) may be an option, but one which requires two-way data flows and experimentation over time. Replicating Bangladesh's Grameen Bank is unlikely to be possible. That model's low cost professional personnel requirements cannot be met nor can the massive Grameen 'endowment' of undisbursed capital on deposit at high rates of return with commercial banks. Subject to the personnel bottleneck, Grameen's approach may be suitable for improving the quality, user friendliness and ability to retail wholesale borrowings from mainline institutions by 'traditional' (existing) credit societies and tontines.

For **medium size** businesses there would appear to be more short term scope for enhanced use of intermediation. One issue is the reduction of both side's transaction costs. African financial institutions tend to be rigid, slow moving and over papered (without being able thereby to improve assessment of borrowers or minimise bad loans). Another is improvement of financial sectoral personnel - so low in the case of Mozambique that a national commercial bank with about 150 branches allows only 10 to handle working capital advances and two to process term credits. As the example illustrates, access to finance suitable for fixed investment is much less available for medium (especially successful small seeking to become medium) scale enterprises than is working capital.

Specialised **construction lenders** (possibly as wings of housing banks) and **leasing/hire purchase** companies to finance machinery, plant and vehicles (again free-standing or linked to commercial banks not least to pool borrower assessments) do appear to be serious gaps - especially for medium scale enterprises. Such institutions could secure funds wholesale from pension funds, insurance companies and - perhaps - individual and company term depositors. Again a serious problem of professional personnel and how to train them arises as well as of setting up low transaction costs/high borrower suitability assessment systems.

Past **bad debts** are sometimes listed as a savings problem. They are a problem, but not primarily as to current savings (unless allowed to cause massive losses to depositors) and certainly not to current real resource use - except insofar as they result in external payments.

New investment by existing shareholders (public or private, external or domestic) can hardly be expected to cover more than a small fraction of loss hangover in badly impacted financial institutions and systems, nor can deposit insurance funds do so even where - as in Kenya - they exist at all. The overhang does need to be cleared (parallel to introduction of personnel and systems to ensure it does not recur). Probably the most practicable route is that of setting up Asset Realisation Trusts to take over bad loans in return for government paper - probably low interest paper to create pressure for efficient handling of new lending. The alternative would be transfers to Central Banks, but as these usually have large phantom 'revaluation assets' to offset real devaluation losses, that would merely transfer the problem. The logic of the transaction (which protects deposits, relates to past real resource use and - if the paper is low interest rate - does not allow shifting out of it into new domestic credit formation) means it should not be charged to the government accounts (or the IMF credit ceiling) in the year of transfer/issue. Rather the cost to government should be taken over time in interest paid and principal amortised.

VIII.

BUSINESS/STRUCTURE: MISSING MIDDLE

Discussions of Africa's sustained underperformance, of its low savings and investment ratios and of its business structures do discuss enterprise weakness and entrepreneurial problems. But few stress one striking feature. **SSA in enterprise patterns - as in personnel - is weakest in the middle**

There are a number of large enterprises - private as well as public, domestic as well as foreign. A few at least of all four (even excluding South Africa) are at or near world class (e.g. Ashanti Goldfields which in many respects really is Ghanaian even if majority of ownership is external and it may gravitate into Anglo-American group) and a growing proportion are competent. This sub-set of enterprises has at least as high a share of output and employment as in industrial economies and only somewhat less than in the very concentrated East and South Asian ones.

At the small, household micro and household end of the spectrum there are myriads of enterprises. Most (notably small family farming and petty trading) are sustenance or livelihood enterprises. Others are more dynamic (usually in commerce, transport, services, plus artisanal construction and manufacturing). There is no evidence that - given a high cost/low infrastructure context - they are notably less efficient than in other countries. With weaker infrastructure, less education and lower capital they are, of course, less productive per employee/self-employee than those in richer economies. There is also no evidence Africans are "natural entrepreneurs" in any meaningfully unique sense. Most sustenance enterprises never achieve much expansion and most other small enterprises do not do all that much better and have high failure rates. Those are the characteristics of small enterprises in Ghana or Germany, Burkina Faso or Bangladesh, Tanzania or Taiwan, Nigeria or the Netherlands, South Africa or Sweden, Mali or Malaysia.

At this small scale level, both the employment and output proportions are much higher in SSA economies than in industrialised or in high growth lower to middle income economies. That is a distinctive feature of low income economies with large self-provisioning sectors which are much more prevalent in SSA than in any other sub-region.

What is most notable - sketchily on employment and sectoral establishment survey data, but also from more micro case studies and qualitative observation - is that **medium sized enterprises are relatively few**, especially as sub-contractors or service providers to large enterprises and government. This is in marked contrast to Eastern and Southern Asia.

The least implausible interpretation is that there are **barriers to transformation** from small to medium scale. The existence of successful smaller African businesses plus a handful of big ones and rather more senior African managers and professionals employed by large enterprises weighs against cultural explanations. The commonest one - extended family links - cuts two ways. It is often adduced as a reason for the success of Asian (Indian and Chinese) small businesses in achieving transformation to medium and sometimes subsequently to large scale.

The exceptions to the low proportion of medium enterprises and apparent blockage of successful transformation from small to medium are largely minority community (citizen or resident alien not in and out expatriate) based.

A particularly clear-cut case is light engineering including heavy maintenance and niche plant and equipment fabrication - substantial in South Africa, Namibia, Zimbabwe and Zambia (and, to a much lesser extent, Kenya). It appears to have several unusual characteristics - high linkage to large enterprises as customers, sources of entrepreneurs and often promoters; better access to semi-professional, artisanal and skilled manual personnel (usually either from the owners' communities including their external clusters or from large enterprise) and less apparent difficulty in coping with the paper filling and accounting aspects of banks and governments, which can readily be avoided by small but much less so by medium scale enterprises. Africanisation of this sub-sector has been relatively slow and the impact of pre-SA crises and depression apparently particularly severe. In part that relates to public enterprises and new external investors - and perhaps larger African businesses - being more inclined to carry on such activities in-house and/or to assume they cannot be purchased locally.

Part of the problem is that **import allocations** are skewed - almost inevitably - to the large scale sub-sector. For both licence seekers and providers, the economies of scale in transaction costs are very high and specialist production input wholesalers/importers catering to bulking up medium scale enterprises' applications very rare. That has adversely affected the whole medium scale sub-sector. The medium scale large enterprise suppliers may have suffered because in-house units could perform better precisely because their import needs could be catered for in the overall import allocation request of the whole enterprise or enterprise group and they did not think of importing the inputs on their behalf. To that extent **foreign exchange liberalisation** and especially no paper work forex shops (whether free-standing *bureaux de changes* or bank "second market" operations) should have been disproportionately beneficial to medium and small enterprises.

Five barriers to transformation can be identified fairly easily. More may well exist.

1. **Paperwork** both internal and external shifts from relatively rare and largely optional for the small to much heavier and necessary at medium scale. Back of head accounts and back of envelope (or no) trade tax preparation can work until a firm is large, complex and visible enough to require physical and financial records for its own purposes and written analogues for business transaction and tax purposes. Small African entrepreneurs have little or no experience with such paper work and no very evident way to gain it except by trial and error.

2. **Specialised skills** also pose problems when requirements go beyond those of the enterprise head and (perhaps) his (or her) immediate family. The obstacle is both quantitative and qualitative. A vehicle repair artisan wishing to expand his garage needs to hire more artisans (not just apprentices and journeymen supervised by himself). At the same time he is likely to need to add a bookkeeper. The only reliable route is often to bid away from large enterprises - e.g. for maintenance foremen and artisans - who can train for themselves. This is relatively expensive - large enterprises attempt to protect their training investment by holding on to graduands.

3. **Financial requirements** go beyond what own and family cash flow plus traditional credit market institutions can supply. But without written records and a multi year operating record, banks are reluctant to extend even working capital finance and often do not have term finance for building construction nor plant and equipment hire purchase facilities. Further, the typical small scale enterprise has little or no experience with banks - and *vice versa* - so that learning about each other renders initial transaction costs high for each side.

4. **Market access** (and to a lesser degree input access) also face barriers when the market scope needed is beyond what the proprietor and a salesman can handle (usually locally) and below what is needed to justify in-house wholesaling and distribution capacity. Specialist promoter, distributor, stockholder enterprises serving a range of middle producers and linking them to regional and national markets are rare. Large enterprises tend either to import, to buy via generalist importers or to prefer large domestic producer sources. This applies to vehicle repairs, construction and maintenance as well as to manufacturing and food processing and to government purchasers as well as to enterprise. In part this is habit and in part paper/rule book rigidity, but in part it represents perceived higher transaction costs per unit of expenditure from more/smaller purchases.

5. **Limited large/middle enterprise links** flow from and exacerbate the previous constraints. Term contracts with given minimum purchase (and supply) levels would facilitate access to bank credit and parallel input supply contracts (e.g. spares for a vehicle maintenance contract), could reduce uncertainties and working capita requirements. In some cases large unit training programmes could include some personnel (skilled manual, foremen, bookkeepers) for medium sized business associates and in others provision of specialist advice (e.g. stock management, accounts format) and/or services (e.g. auditing) could be mutually beneficial. Examples of this do exist in SSA but appear limited relative to Asia - notably, but not only, Japan, Korea, Taiwan, Singapore and Hong Kong - or South Europe - e.g. Cyprus, Italy.

It is correct to point out that these obstacles to expansion are not unique to SSA. Most small enterprises anywhere never become large and in most countries the majority beyond the household livelihood level fail. However, there are - as noted - contextual reasons increasing barriers in SSA and, at least on the face of it, the medium scale sector is unusually small relative to the overall economy and also relatively weak.

Does It Matter? Why

To point to a missing middle and to probable causal factors is one thing. To argue that these contextual, structural factors have **macroeconomic consequences** which may help explain **persistent underperformance** is quite another. The former has been done on occasion; the latter has not been attempted systematically to date.

How - if at all - does the weakness of the medium sized sector raise costs or limit opportunities for production and exchange by small and large enterprises? Three possible clusters of such costs and constraints can be identified:

a. **lack of medium enterprises forces large to engage in a plethora of peripheral activities** - probably at relatively high cost and certainly distracting from focus on necessary core activities. At the same time it may limit or prevent market (sales and sources, goods and services) access for small and other medium scale (or would-be medium scale) enterprises.

b. a **'natural' ladder from small to medium to large is barred** at the small/medium transition stage. Arguably this limits entrepreneurial learning, labour force skills development, enterprise capital accumulation (domestic savings/investment). That may constrain overall savings and investment growth over time and bias it toward large scale (dominantly foreign) enterprises.

c. If expanding a given business is perceived as impossible or very risky, either externalisation of capital or a **proliferation of parallel small scale enterprises** (micro conglomerates) may be encouraged beyond levels prudent (for the asset holder) portfolio diversification would suggest were expansion a live option. Of the proliferation only investment in education and training (including on-the-job in the added businesses) of children and other relatives would appear likely to have external economics.

The lack of strong middle scale enterprises creates **gaps**. These **limit market access for small** (and especially small seeking to expand to medium) **enterprises** and **raise costs and capital requirements for large enterprises**. The Ghanaian commercial sector illustrates these effects.

On the face of it Ghana is a hive of commercial activity. Up to a point this is valid. From stall traders through boutiques, small supermarkets and small hotels there are large numbers of competent enterprises. Wholesalers in the sense of bulkers and bulk breakers are also plentiful. But at wholesale level there are gaps. Wholesalers willing and able to enter into annual contracts for given quantities either on the buying or selling side are few and far between especially for domestic products. For example, at the end of the 1980s Ashanti Goldfields could not find any wholesalers willing and able to enter into a contract to supply 250 tonnes of rice a month to its core establishment in a secondary town on a main highway which is an arterial trade link. That is not unrelated to perennial difficulties in getting the domestic rice crop to market exacerbated because the marginally profitable, 5% to 10% of market flow public sector food buyer-wholesaler-retailer has been virtually wound up in an ill-advised part of SA. Similar problems affect palm oil. The implications for domestic food processors and for manufacturers are clear. Either they must be small enough to sell from the plant to nearby retailers or large enough to operate *de facto* in-house wholesaling and distribution functions including stock holding.

Ashanti Goldfields exemplifies the economic activity sprawl resulting from the missing middle. It builds, owns, operates and maintains: retail stores, housing estates, canteens and bars, a piggery, a dairy and vegetable production. When asked why, at the end of the 1980s, the management's response was that no satisfactory alternative could be found. As it had withdrawn from the Accra hotel business (where it had opened an establishment to guarantee quality accommodation for its business visitors) when an array of reasonable quality middle size domestic hotels emerged, this response is probably accurate both as to belief and as to reality. In general large companies in SSA operate far more peripheral activities than elsewhere precisely because they cannot - or believe they cannot - hire-in medium scale contractors/suppliers. Both overt answers to queries and the way the units are run suggest they are not seen as useful secondary profit centres but as rather tedious service departments run to underpin key production operations (including worker morale).

The **broken ladder** (or stairway) impact is evident for owners. If small enterprises cannot readily become medium, then medium and large scale management whether entrepreneurial or employee can only be developed in the managerial cadres of large enterprises (including the state). Those are logical routes (and ones which have produced many successful businessmen), the question is whether it is desirable that they be the only ones.

The skills issue is less clear-cut. Certainly a more dynamic and larger middle would build up larger para-professionals, foremen, artisanal and skilled manual worker pools. In that way it could be expected to improve overall labour force quality and productivity. That would lower labour cost per unit of output (at present often high in Africa especially in comparison to Asia) and reduce the initial recruitment and training costs of new enterprises - especially large and other middle ones. The question is how quantitatively significant this would be.

If at any one time and cumulatively over time the total operating surpluses of enterprises are smaller that constrains domestic savings and investment growth - by large and small enterprises and overall as well as by middle. The **savings-investment-growth impact over time** depends in large part on what successful small businesses do with their present surpluses different from what would occur were there not severe constraints on expansion. This factor also pertains to large if they have to tie up capital in low return peripheral activities instead of contracting them out and concentrating on core production areas.

If many successful small enterprises try to expand, lose their way and go bust, the cost in savings and employed entrepreneurial capacity is evident. If capital externalisation to safe, low return foreign holdings is common, that evidently has negative externalities as to domestically available savings and investment and (given the relative unlikelihood of external middle venture inflow) to lower employment and output growth rates. Somewhat similar considerations may apply to investment in domestic luxury rental housing.

Of special interest is the **micro conglomerate**. In Ghana for example, this may include three or more of a commercial farm (usually but not always cocoa), a rural to urban transport company, a town shop and urban rental premises. Certainly this diversifies assets in a risk lowering way. But it clearly loses opportunities for specialisation and dilutes the entrepreneur's attention to any one business. Partly because of the latter, most household micro conglomerates invest in younger members (especially, but not only, the entrepreneur's children). That adds new management personnel and/or diversifies revenue sources by adding salaried employment to the family portfolio. As the new businesses provide learning opportunities and ladders (up to a point) for the younger entrepreneurs as well as a more general labour force quality enhancing impact from the education, such investment diversification has positive externalities, but ones equally accessible via expansion of the existing enterprise.

The same is unlikely to be true of the horizontal proliferation itself. Micro conglomerates are usually - as is often true of macro - less than the sum of their parts. That they proliferate in SSA is probably a result not of inaccurate investor perceptives but of market failure - expanding a single business faces severe constraints and high risks.

What Might Be Done?

If the case is made out that there is a missing middle in African enterprise structures and that this pattern contributes to low investible surplus, slow skills development and lower investment efficiency, the question of **what might be done by whom**, arises.

Once that question is accepted onto the agenda there will need to be **more targeted data collection**. More research - no matter how applied - is (rightly) never a popular policy proposal, but it can avoid throwing substantial resources at non-problems or allocating them in ways quite unfriendly to intended users. One set of data needed is a micro sample survey (probably on a zonal basis) allowing knowledge of key parameters of medium enterprises, what problems their proprietors see as key constraints on success and what action by whom they believe could relax those constraints.

Among the candidates for action are:

a. the overseas **African Diaspora members with assets** plus goodwill toward their home countries but no evident routes for using the first productively (and safely) in the service of the second;

b. **large enterprises** in respect of their **business relations with middle ones**;

c. **states** in terms of influencing/facilitating the first two lines of action, of removing unnecessary and streamlining appropriate registration, information and data collection and of providing services which target specific constraints.

The concept of **harnessing overseas African resources** - especially of finance but also of skills - to enterprise development has been raised. Most recent ideas turn on investment trusts. While appropriate to buying stakes in large enterprises, it is somewhat doubtfully appropriate to middle sized enterprise investment.

Two actual linkage patterns in Africa may offer clues to more contextually relevant approaches. The first is the Lebanese ("Syrian" in Francophone African terminology) community. Enterprises are largely medium scale having evolved from decades earlier small scale beginnings. Finance and trained personnel from Lebanon - and more particularly from enterprise specific extended families and villages - are regularly imported. From an African territorial perspective there are resource flow problems, because profits are largely remitted and successful businessmen retire to home areas in Lebanon with sons and nephews replacing them. But the key to success appears to be the supporting linkages to finance/experience/skill pulls not any specific non-African cultural trait.

An African parallel is the Somali trading and transport community. It too features cross investment and skilled personnel links among enterprises operated by lineage group or sub-clan members. These include enterprises in East African states, Djibouti and Ethiopia as well as in Somalia/Somaliland plus trade and transport links to the Arabian Peninsular and some South European countries. Here most enterprises (at home and abroad) are small, but successful small ones do make the transfer to successful medium sized, e.g. from 1 or 2 lorries to 10 or 20 plus a couple of small planes and an Antonov or 707 and occasionally to large scale (at least $25 million turnover in one case). That they have adapted to war and are able to maintain exchange and transport across/between up to four mutually hostile zones, as well as direct links to the Arabian Peninsula, Ethiopia and East Africa says a good deal about their resilience. Again there is the problem of net flows and retirement (at least until recently) home to Somalia and also that of a macro economically and socially unattractive key sub-trade (khatt, a narcotic leaf which is costly in user money, time and diligence). But the fact of a dynamic system based on evolved historic group linkages stands out clearly.

What might more general African parallels be? One element would seem likely to be an extended family or home village definition of the enterprise base group. The point is affinity not that the enterprises necessarily, or even necessarily largely, would be in the home base area. The **affinity would give a foundation of trust** and of **established willingness to work together** which an investment trust with no non-economic bonding of members (and borrowers) would find hard to replicate.

Structures such as tontines and village support schemes already have structures which do communicate among far flung members and - at least in the successful cases - manage fund flows. Therefore, these aspects should not in themselves be problems. Nor - if a reasonable overall rate of return is achieved so overseas 'funding members' can and do get at least 6% to 10% interest and/or profit share return on capital - should resource mobilisation pose insuperable problems. The business links and skills injection elements may be harder to supply. Overseas African are not as business based as Lebanese or Somali communities and do not necessarily have relatives who have acquired relevant skills to send home. However, it would appear worthwhile that both African business groups and concerned governments and research bodies look into the potential and the possible structures of home base-urban resettlers-overseas Diaspora groupings to pool and exchange capital, skilled personnel, experience and business contacts.

The second area in which relevant action must be taken is by **large enterprises and government purchasing units**. Here - at least for the enterprises - mutual interest needs to be demonstrated. Government (especially local and regional government purchasing units might consider a 5% preference for small and middle enterprises. However, this is probably much less important than redesigning tenders in manageable sized chunks with phased delivery related to supplier capacity and actual date of use requirements (as opposed to delivering a whole year's supply at one go) and progress payments on all orders which are large relative to the size of the supplier. The latter payments would be analogous to those which are standard in the case of construction contracts.

Large enterprise links with medium which are frequent and mutually strengthening in much of the world, but less common in SSA, include:-

a. **Purchases by large producers** of:

   i. ancillary services from data processing through canteen management to repair and maintenance;
   ii. tools, heavy repairs, fabricated plant (e.g. vats, tanks, tubes, frames);
   iii. components for products (e.g. bicycle tyres, saddle covers, handle grips, lights).

b. **Purchases by wholesalers and retail chains** of medium scale producer products which then go into their regional or national distribution nets;

c. **Provision of training, specialised services, quality control**, perhaps credit guarantees to lenders or progress payments toward working capital requirements and other services to medium scale partners to improve their products' quality and timeliness of delivery.

At present the horizontal agglomeration of activities and limited buying in of components by large producers and the concentration on imports or domestic large scale producers in wholesaler sourcing create a vicious circle. There are few satisfactory medium scale enterprises with whom to deal. Therefore, large enterprises take the activities in-house. As a result, opportunities for relevant middle business suppliers-contractors-distributors to develop are limited and they do not develop. That apparently justifies the initial in-house agglomeration decision.

From a short term market forces (more accurately structures) perspective this may well be prudent for large businesses. However, as Unilever's United Africa Company found when it began specialising out of retailing and sub-wholesaling, the speed with which competent African entrants occupied the open spaces was high and the gains in terms of UAC profit per unit of capital employed were significant. That process continues with its latest phase conversion of West African department stores into specialist boutique arcades with most units leased to middle (or 'large small') businesses.

What large businesses need to do is to analyse what goods, services and distribution channels they would - given satisfactory businesses with whom to deal - wish to 'spin off'. The next step is to explore whether it is already possible to do so (which it may be - not looking guarantees not finding) and if not what capabilities potential suppliers/distributors would need to add (Timeliness of delivery? Guaranteed volume? Quality control?). From that the issue arises of what particular personnel, facility or working capital constraints on achieving the additions may be and how - if at all - constraint easing could be made part of an ongoing business relationship. And finally - **would such a strategic shift to 'spin off' pay**, under what conditions/assumptions and how fast?

Certainly **working capital** (e.g. by progress payments), **quality control** (by manuals, demonstrations, training), **volume/delivery date reliability** (by setting mutually manageable schedules and guarantees) and other items (e.g. auditing at viable - to both sides - charges, use of large company skill training programmes) **can be included in contracts**. To attempt cross country, cross sectoral, timeless rule books would be folly. However, potentially fruitful approaches are reasonably general and widely applicable as exemplified by UAC in commerce in West Africa, Sears Roebuck in sourcing in Latin America, most major Japanese manufacturers in sourcing and distribution.

Business associations - e.g. Chambers of Commerce or of Mines, Business Federations - also need to review their procedures, services and fees to see whether these are user friendly (or even user intelligible) for middle business. For example, fixed membership fees as opposed to turnover related ones are discriminatory; the data from a rapid referral business opportunities system needed by a large business with specialist personnel and external contacts are different from those of a middle sized enterprise with neither.

The split-offs from long running business groups in Africa are usually explained in terms of public/private or communal (new black versus old line external and/or minority community) differences. This is frequently only part of the story. The specific interests as well as the forms of dialogue and conducting relations with government or trade unions with which they are happy of a $50,000,000 turnover, 2,500 employee integrated textile manufacturer and of a $1,000,000 turnover, 100 employees, school and employer uniform maker are by no means identical irrespective of the citizenship and/or cultural lineage of owners/managers. If an association is to represent both, it must be user friendly to both. In some cases this may point to federated sub-associations or special committees; more generally it requires recognition of and addressing the problems.

Government action will probably not be very effective if conducted unilaterally. Community/"home base" links and large/middle business relationships cannot be introduced by fiat. Useful government action can go little beyond pointing out potentials, perhaps financing studies and pilot training schemes and ensuring legislation and administration do not include needless barriers. Contrary perhaps to popular impression, most large businesses prefer harmonious relationships with government and are willing to consider well argued, factually grounded proposals so that - at least sometimes - the kilometerage in such actions may be not inconsiderable.

Beyond that potentially useful government actions fall into five clusters:

a. developing **two-way information flow channels** with middle businesses;

b. following **business practices friendly to middle enterprises** - e.g. in purchasing policy and supplier advising - similar to those appropriate for large enterprises;

c. **streamlining regulations** with a view to decreasing the number and complexity of contacts needed by any enterprise;

d. **removing policies which appear to be size neutral but are in fact anti middle business**, e.g. 40% or 50% profit tax rates on profits of unincorporated businesses when the comparable personal income tax rate would be 20% or 25%;

e. perhaps **launching (or revising) some programmes**, e.g. in **training, facilities/premises hire, allowances for initial promotional activity** in new markets, particularly useful to medium sized businesses.

The communication channel cluster is listed first because without its results efficient government action on the other four will be much less likely. In general SSA governments (and not only SSA ones) are not well informed on middle business problems, constraints criticisms, potentials and especially not on how actual middle sized businesses perceive them. The simple solution - ask them - is also a correct one. The advantages of facilitating contact by representatives of these businesses - either as part of overall business groups or via chambers of their own - should be apparent.

It is sometimes argued that large businesses lobby for "rents" (e.g. protection and subsidies and/or monopoly positions) whereas medium, because greater in number, are less rent seeking and likely to make proposals more in the public interest. When the proposition is put in that form there is little substance to it, except for pro-competition legislation in respect to which the self-interest of the medium scale is parallel to the public interest and usually at least in tension with that of large scale enterprises.

Assuming a forum representative of medium business is effective, its proposals will be for actions favourable to its members. On protection and low taxes these are not inherently less (nor more) rent seeking than those of large enterprises and on safety regulations and enforcement of fair employment practices they are likely to be much worse because there are economies of scale in complying with such standards.

However, spokesmen for middle businesses can call attention to apparently **uniform regulations** which in practice **introduce biases** against middle (and sometimes small) firms:

a. **business taxes at 40% or 50% on unincorporated business incomes of any size** without reference to what the comparable (often lower) personal income tax rate for proprietor (or proprietors) would be. A strong case exists either for taxing all unincorporated business **profits as personal income of owners** or offering an option for personal income treatment or taxation at an enterprise rate (say 30%) to the extent profits are reinvested - evidently whichever is lower;

b. **multiple regulations requiring multiple applications to different offices** are very confusing and user unfriendly to medium scale (and to newly arrived foreign) businesses. They are less of a nuisance to larger (and longer established) ones. **"One stop shops"** with a single form handed in at one office (even if processed in parallel by relevant health and safety, labour, town planning and Treasury units) and dealt with promptly in dialogue with a single contact officer are likely to raise efficiency for all enterprises (and quite possibly government units as well) but the user friendliness gains will be proportionately largest for middle businesses;

c. **health, safety, industrial relations and environmental regulations** designed - and suitable - for large enterprises may be unnecessary as well as burdensome for small scale. (For example, in the Philippines a one washroom for each shop rule's alteration to one per floor area unit was disproportionately beneficial to arcades of small shops and restaurants.) However, care needs to be taken to identify **public interest costs** which may introduce a trade-off. (For example, unsafe passenger vehicles are not less against the public interest because individual fleet sizes are lower; medium scale mining and ore processing cannot be freed from pollution controls simply because the economies of scale on non-polluting technologies are often very large.)

On the face of it, each of these sets of biased uniformities would appear to be anti small even more than anti middle business. This is in practice not so because the **small can usually avoid (or evade)** them while the **more visible middle cannot**.

The experience of state intervention in respect to enterprise development - especially in SSA - is at best mixed and at worst disastrous. This is in part because it has tended to throw capital (subsidised loans and industrial estates) at the problem (often without defining it) and to provide generalised training programmes with neither prior consultation with proposed users as to priorities nor ongoing monitoring of results to allow prompt adaptation. But another cause is probably seeking to see state support as free-standing rather than linked to parallel "home base" and large enterprise (including state purchasing units) action.

There are at least four areas in which state action - if based on prior data as to user needs and monitoring of results - might be useful:

First, improving access to credit - preferably via financial institutions or windows run on an enterprise basis, perhaps with partial (not full) government guarantees. For example, a hire purchase company owned jointly by a bank and several vehicle-plant-equipment wholesalers would have access to multiple data sources on prospective clients and certainly a greater ability to keep track of them than a government. Similarly, an office-industrial-commercial building lender owned by insurance companies and pension funds should do a better job of credit assessment and collection than a Treasury. In respect to lending by banks (or other financial institutions) as wholesalers to 'traditional' tontines or credit societies, state regulatory, licensing and technical assistance (e.g. in accounting and record keeping) actions in respect to the latter could make them more acceptable clients and a partial guarantee phased out over a few years might encourage initial financial institution exploration of lending opportunities and risks.

Facilities provision is an area in which most supposedly small enterprise oriented estates have been better suited to medium sized and, in any case, frequently provided too much (and often ill-chosen items) in the way of buildings, plant and equipment. The middle size point is predictable - the most common model is Indian industrial estates which are primarily middle enterprise serving.

The case for **site and service schemes** - cleared, levelled, plotted land with access to transport, communications, electricity, water and customers/suppliers is often strong. Economies of scale do exist at that level (as do possibilities of closed ended subsidies by initial period rent deferral) and requirements are relatively homogenous assuming flexibility as to plot size.

The case for providing buildings - where needs vary much more - is low and that for standard machinery provision near nil. If the access to mortgage and hire purchase bottlenecks can be cleared, the enterprises can finance their own - more appropriate - buildings, plant and equipment. If an estate based maintenance and repair facility is commercially needed by other firms located there, it is quite practicable to induce a middle scale foundry and light engineering company to locate on the estate - precisely because it will thereby attract additional business.

Training is an activity with economies of scale and external economies - thus one in which state action has potential. On the other hand, experience is on average poor. Middle enterprises are not much interested in tertiary (university or technical college) graduates because they are used to higher levels of technology/plant availability and of accounting systems as well as perceived as very expensive and footloose. On the other hand, most vocational high schools are perceived as training inappropriately and to a low quality either in skills or work habits.

Exceptions do exist Some are **craftsmen certificate related vocational training institutions** run by Ministries of Labour or parallel ones in secretarial and bookkeeping skills run either commercially or quasi autonomously with professional association plus user dominated boards. This group of institutions in Tanzania do appear to be relatively well regarded by employers and (as a result one supposes) by potential students even though they have low perceived status with political, official or business elites. How many of their graduates go to large enterprises or self-employment as opposed to middle is unclear and would be worth checking.

Middle (and small) businesses do carry out some **apprenticeship training**. It is virtually all learning by observing and doing and is hard to evaluate (not least by a potential next employer). There could be linkages between the applied vocational programmes and these apprenticeships. The programme (in consultation with employers) would provide conceptual and explanatory teaching plus some demonstration and the employer the on-the-job element. The combined programme would lead to vocational certificates. If such a programme was serving a purpose, middle enterprises should be willing to provide "released time" to employees to participate and to pay fees contributing toward costs.

The debate over whether entrepreneurship can be taught is somewhat beside the point. **Enterprise accounting, marketing, procuring, financial management, inventory control, personnel management, etc., can be taught**. The new (or more usually small becoming middle) business head does have (and usually perceives he or she has) needs which can be met by fairly brief modular courses on these topics. To be user friendly, they probably need to be evenings and/or weekends or perhaps in part by distance learning (radio and post) - owner/managers can rarely take two weeks, let alone six months, off. Also they need to be based on surveys of perceived middle enterprise proprietor/manager needs not 'scaling down' courses originally intended for top management at large enterprises nor assuming the needs of senior managers in terms of range of skills scale down with firm size.

Supporting **initial learning costs** is in principle a fourth appropriate area for state support. The problem is in getting value for money and avoiding permanent subsidisation of non-learning by the same groups of enterprises.

Market access development is a possible area. The most usual programmes relate to external export market development travel and attendance at international trade fairs, which are probably primarily relevant either to large or well established middle enterprises. Similar domestic schemes are more likely to help emerging middle sized. Whether national and regional product exhibitions/sales should be linked to permanent sales sites is unclear - leaving such facilities vacant most of the year does seem pointless.

However, the state should **not go into the wholesale distribution or procurement business** for middle (or small) businesses. That is a task for commercial enterprises - especially wholesalers or urban multi line retail stores.

The **urban retail outlet issue** is one raised by middle enterprises in a number of African cities. In general their premises are both far from retail customer concentrations and scattered. Estates - with a commercial building in which each enterprise could have a stall - might help remedy the second problem. In principle downtown (or market area) premises leased to several enterprises as a group might be useful. Given the decline of departmental stores in much of SSA in the face of boutique competition, it is possible some commercial operators would be interested in leasing all or part of such stores in this way.

The approach sketched above is clearly not *laissez faire* but interventionist. It is based on the contention that **specific market failures** - or at any rate barriers - impede the development of middle sized enterprises in SSA with consequential macroeconomic external diseconomies. The approach is not primarily regulatory and is **initial entry cost reducing** rather than subsidising. Its success - or otherwise - will depend on convincing the large scale enterprise sector (as sources of finance and markets) to increase commercial links with the middle. The elements do fall within the rubric of **creating a favourable climate for enterprises not of building a permanently protected hothouse**.

IX.

IMPLICATIONS FOR STRATEGIC BUILDING BLOCKS

This study is not an exercise in building strategies - continental, sub-regional or national - but rather one of ground clearing to identify structural problems and to review past strategic options in respect to successes, limitations and present relevance - or otherwise. That said it should seek to offer a set of stones useful for laying foundations as well as a short list of obstacles which strategies needed to overcome or to find ways around.

The or is important - **some obstacles are irremovable at least by Africa**. It is one thing to lobby for external debt writedowns - the debt overhang is a removable obstacle. Equally rundown of - say - copper mining by failing to invest in cost reduction and proving/opening of new sources to sustain output is bad economic housekeeping. But to seek to reverse the technical substitution of fibre optics for copper cable or to compete out of existence or to lock into production ceilings the lower cost Latin American and Asian producers, whether by export subsidisation or attempts to create either a producer or a producer/user cartel, is unworkable under present or any likely global balance of economic power and policy. African economies do suffer from adverse terms of trade trends in oligopsonistic markets. That is a problem. But since Africa lacks the power to restructure global markets or to establish countervailing oligopolistic power and the record and prospects of attempts to create producer-consumer groups to smooth - let alone block - price trends are remarkably unpromising, the problem can only be avoided by developing new export structures with higher pre-export value added and a product mix with more buoyant income, technological and learning elasticities.

Five abiding obstacles to sustained development - however defined - stand out in SSA:

1. **economic growth underperformance** at least since the mid-1920s with the fleeting general exception of the second half of the 1970s and a number of initial export economy or export price boom exceptions in up to half the individual countries;

2. An **export quality deficit** and a growing **quantity** one, i.e. concentration on increasingly low income, use, learning - as well as price - elasticity goods with a growing gap between attainable exports and minimum import levels consistent with sustained growth;

3. **human investment/basic services** inadequacy quantitatively, qualitatively and equitably (bias against females, rural areas in general and pastoralists in particular) with severe long term productivity, competitiveness, growth and poverty consequences;

4. parallel physical **infrastructure gaps** which limit (and over-concentrate) production and raise enterprise unit costs rendering them less competitive domestically as well as in export markets, while also forcing down employee productivity (and pay) and worsening rural incomes and rural/transport terms of trade;

5. **law and order** deficits in an increasing number of cases leading either to total breakdown of predictable security for ordinary household and enterprise activities or/and to war.

The post colonial record on **growth** may be slightly less bad than the colonial, but at 2% annual growth versus 6% needed for political and socio economic stability and development (without which disorder is likely to choke output growth) it is now grossly inadequate. Even 1980s and 1990s success stories seem to be stalled in the 3.5% to 5% range. The argument that growth is not enough is valid but is only tangentially relevant. **Without sustained, buoyant overall resource availability growth no qualitative, structural or moral economy goals are likely to be both achievable and sustainable**.

The **export growth** record has on balance been poorer since independence. Opening up and terms of trade booms excluded, it has rarely been over 2% a year in real terms. Since 1980 that is probably below the annual terms of trade loss. The point at issue is not an export oriented strategy or not, but that no strategy can survive without real external resource growth of 5% to 7% (broadly comparable to output growth). Since ODA is unlikely to rise at all in overall real levels and enterprise investment will not hasten into import capacity strangled economies, that implies the need for 5% to 7% post terms of trade loss export growth trends. That in turn requires structural transformation of exports, dominantly by addition, toward greater pre-export value added, buoyancy and diversity of products and markets.

Human investment did boom over 1995-1979, the colonial twilight and initial independence period. But these gains never achieved Universal Access to Basic Services (except in some cases for education) and have since been severely eroded at least in per capita and in qualitative terms.

Similarly, the **infrastructural deficit** was also reduced over the 1955-1979 period. 'Deferred' maintenance and population growth have resulted in severe subsequent backsliding in a majority of cases (not excluding less poor economies such as South Africa).

Law and order - never adequate by itself to cause development, but necessary for much else to be achieved - on balance improved up to the 1970s. Totally collapsed states and sub-regional epidemics of wars are later developments albeit some have earlier roots (the Horn from the early 1970s, Central Africa - with lulls - from the 1960s, West Africa flaring up in the 1990s).

Two additional performance deficits may be basic or may derive from the five listed:

a. net **domestic investment** of about half the levels needed to sustain 6% annual overall output growth paralleled by lower still **domestic savings** rates;

b. a **missing middle** in the enterprise sector which appears likely to raise costs (and disperse energies) of large enterprises, to limit organic growth of domestic employment-skills-savings-enterprise development and entrepreneurship.

The **investment deficit** appears roughly evenly split - half public (water, power, communications, transport) and half enterprise. It has worsened sharply since 1979. Even in the 1970s it is doubtful net fixed investment to overall production ratios were consistent with much above 4% sustained growth (as indeed achieved over 1975-79). The **saving deficit** appears to have worsened sharply with the protracted 1980s and 1990s recession albeit part of this fall may represent asset diversification abroad (capital flight) and, therefore, be more readily recoverable were sustained forward motion to be - and to be seen by savers and asset holders to be - achieved.

The **missing middle** is readily observable, but systematic measurement is, to date, not practicable. Its results are fairly clearly negative - the issue is their size. This deficit is one which has existed since the initial colonial era growth of African business and African senior professionals and public servants was smashed at the turn of the last century. In practise, ventures (and not infrequently expatriate state firms or state-private joint ventures) were diversified after independence to external private, domestic state, joint domestic state/external private and - less commonly outside South Africa - private joint venture large enterprise. Medium scale remained subordinate and constricted by severe obstacles to entering medium from small.

Three further structural barriers arise from these five areas of sustained underperformance: food shortages at national and household levels, external debt service overhangs and rising absolute poverty (effective exclusion from production as well as human development)

Food output has grown less rapidly than population since the late 1950s in West Africa. A parallel trend in Madagascar and in Ethiopia may have been stabilised in the 1990s. Since 1979 drought cycles may or may not have become more severe. They have become more extended which increases the problematic nature of national or household evening out of year to year deficits or surpluses. In respect to famine, however, the key factor is war which - as conducted in SSA - simultaneously destroys household capacity to produce food, to earn income to buy food and to transport either commercial or relief food. Indeed, reduced malnutrition and near ending of famine are the most immediate and least uncertain aspects of peace dividends, e.g. post 1992 Mozambique and Ethiopia, in contrast to Angola and Sudan, and in Somaliland contrasted to Somalia since 1991. The underlying low trend production growth exacerbates ability to handle output instability as well as household level deficits of entitlements because drought wipes out both self-provisioning and cash income leaving little capacity to buy grain. National capacity to transport and to finance free emergency supplies is also constricted by past low growth of fiscal revenues (in any event negatively impacted in drought years) and deterioration of infrastructure. Tanzania in 1992-93 (1991-92 drought) illustrated this point. Nationally food output and stocks were adequate, but at least 500,000 households had lost much or all of their entitlements while the Treasury had the grim choice of either not supplying the standard maize/beans rations to senior female members of non-waged households in drought afflicted districts or of breaching IMF "trigger clauses" and running the risk of aid suspension. In the end, human and political priorities (and perhaps inertia - the famine prevention programme was over a third of a century old and had been needed in two or more of 130 odd districts virtually every year) won, and donors *de facto* accepted the 'excessive' borrowing.

External debt service overhangs flow primarily from low export growth, failed attempts to kick-start high growth by heavy plant and machinery investment financed by borrowing and persistence in seeking to operate crisis non-coping strategies. As the Fund, the Bank, the UK and the USA agree, up to 30 SSA economies cannot possibly pay the full present value of their external debt service obligations or cannot do so consistent with significant growth.

Absolute poverty has afflicted a growing proportion of households because of the interlocking output growth - access to basic services - rural infrastructure capacity. While the largest single source of increase is war, the reversal process (which, as opposed to survival support, is rarely possible to start before the end of the war) is not dissimilar in broad outline to that where the output, services and infrastructure deficits have other causes. No more than rains bring dead camels back to life does peace restore burnt out lorries, blown up bridges, gutted hospitals or mine sabotaged tree groves. The food growth deficit dominates the rural 75% to 80% of absolutely poor households income plight as on average 50% to 60% of their income is from self-provisioning and 20% to 30% from sale of food. (Contrary to popular impression, domestic food is the main "cash crop" cluster in rural Africa both as to total value and to number of households dependent on it as the primary cash income source). The absolute poverty challenge affects how to tackle the basic deficits - e.g. 6% growth might not provide employment, production opportunities, basic services access or infrastructure relevant to poor households. It does not alter the need to redress them, because unless not so poor household markets, export opportunities, urban above absolute poverty line wages and state fiscal capacity grow rapidly there is no way absolutely poor households (rural or urban) can be assisted in climbing out of that status.

Structural Adjustment, Stabilisation, or Better Crisis Management?

What structural adjustment usually has achieved is **an end to freefall** in respect to growth, exports, basic services and infrastructure. Less uniformly it has led to their sustained growth recovery to rates equal to population growth and to halting the rise of absolutely poor as a proportion of all households. Whether this can be categorised as **sustainable stabilisation** is less clear. The initial imbalances and external debt overhangs, the continued growth deficits and the declining trend of ODA (with no comparable magnitude offsetting enterprise investment growth trend) mean that many relatively successful - or at any rate sustained - SA programmes really amount to more organised, less inefficient **crisis management** which may or may not win through to economic macro stabilisation before collapsing in the face of domestic political and social economic deficits.

In respect to the five primary performance deficits, SA has not achieved structural adjustment, let alone transformation because it was **not designed to do so**. Halting freefall, restoring output growth to levels equal to that of population, reducing imbalances to manageable levels

- i.e. **structural adjustment from crisis non-coping to a stabilised basis for renewing development** - was SA's strategy and the **intended time frame was initially 3 to 4 years** for any one country. With those goals and that time frame, medium term structural transformation strategies were neither a necessary nor a practicable component.

The problem that has emerged (perhaps in large part because SA was based on what turned out to be wildly over-optimistic global trade volume and SSA terms of trade projections as well as of ODA projections net of non-survival and technical assistance) is that SA has produced **lesser, slower results than anticipated** and therefore been transmuted over time into a 10 to 15 year per country medium term strategy. What is acceptable in giving overriding priority to economic good housekeeping in the short run is totally inconsistent with moral economy, political economy and production structural adjustment needs over the medium term.

Structural Adjustment Plus - No Through Road?

SA - at least in its Bank version and that of some bilaterals, NGOs and SSA governments - has sought to adjust in one of two ways:

a. taking substantive issues: absolute poverty, basic services, external debt on board;

b. operating a 'two track' approach with countries graduating form 'SA-I' to 'SA and Transformation II' at which stage doubling per capita investment in basic services (especially health, education, nutrition) and physical infrastructure took top priority.

The first approach arose partly form outside pressure spearheaded by UNICEF and NGOs and partly from claw-backs by Bank division vested interests in health, education and infrastructure. Parallel external influence lay behind addition of environment and gender to the checklists. Once in train the shift was generalised and bolstered by surviving Macnamarans counterattacking to restore "absolute poverty alleviation" as a watered down successor to "absolute poverty eradication".

Adding these - basically structural - goals to the initial - basically macroeconomic balance or sustainable imbalance SA core - appeared to **work moderately well in its initial 1985-90 phase**. **But it came to a dead end** so far as being a route into transformation or a strategy toward reduction of either underlying performance deficits or underpinning domestic political and social economic sustainability. The reasons are not entirely clear but appear to include:

a. continued dominance by the macro management core - e.g. PER teams - even when the broader/longer term transformation approach indicated divergent priorities, sequences and time paths;

b. leading to reduction of the substantive elements to marginalised add-ons (or less charitably, Christmas tree baubles unsteadily affixed to the macro management tree of SA proper);

c. a side-tracking partly parallel to enhancement of IMF influence on SA in some SSA programmes;

d. growing fatigue by African governments and peoples, external funders and eventually by the World Bank with 'structural adjustment without end' as a process or a strategy; and

e. a - perhaps, but not necessarily, naive - belief that a new headline would be of major value in launching any new strategic initiative.

The **graduation approach** has encountered similar problems. Only Mauritius (actually prior to the conceptualisation of the two-stage approach in 1989) has graduated. It is of some interest to explore why it has done so. In Mauritius, stabilisation - basically on external and fiscal accounts - was paralleled by overcoming the export and output growth underperformance trends through accelerating export of semi-skilled labour embodied in manufactured exports and tourism. That not only overcame macroeconomic non-sustainability; it generated growth of employment at decent wages and reduction of absolute poverty while yielding the fiscal flows to deepen already broad access basic services in education and health. In that context, reversion to lower overall levels of ODA focused on improving already above average and largely undeteriorated transport and communications infrastructure was readily attainable while the basic services (educated productive labour force) and enterprise-friendly infrastructure spending pulled in external enterprise investment to the export-led manufacturing sector. Mauritius' achievement deserves credit - it does include a viable transformation with post SA economic good housekeeping. Mauritius' strategy was not stabilisation alone, which would probably not have been sustainable - certainly not in an untransformed sugar centric, nor in an import substitution, mode. But what is viable for a million person island with a relatively high quality labour force and relatively good transport, communications, water, power, health and education is not readily adaptable - much less replicable - elsewhere. That is perhaps best illustrated by the successes and limitations of Botswana which has pursued a not dissimilar strategy from a stronger initial fiscal and growth but a much weaker human and physical infrastructure (and geographic and geopolitical location) base.

Beyond Mauritius (Botswana never needed an SA programme as economic good housekeeping was built in from independence and never collapsed) there have been no graduations. As of 1989, Ghana, Tanzania and perhaps Uganda were perceived as likely candidates. But in no case has the 'graduation ceremony' ever been scheduled and in the first two, the basic SA exercise has at times come under very severe pressure.

Problems To Building Blocks For Transforming Structures

The record of 1979-1995 suggests seven general foundation requirements for transformation strategies:

a. they must be **African owned and led** for contextual efficiency as well as political sustainability;

b. while being **saleable** internationally (almost literally Bankable) because of SSA's continued need for net official and unofficial resource inflows;

c. and to a substantial extent depend on short run **resource reallocation** - with military the most hopeful domestic source and expatriate personnel costs and debt service the external ones - to institute **more rapid growth and more effective tax collection** for medium and long term sustainability;

d. which in turn implies a high priority to attaining **peace** and **low levels of social disorder** (including massive criminal activity) as well as rehabilitation (livelihoods), reconstruction (infrastructure), revival (public services) to sustain them;

e. requiring **more professional and more productive - and therefore more adequately paid - public servants** in most cases and **more** of them dominantly in health, education, water extension services, constabulary and judiciary (magistracy), infrastructure maintenance and tax allocation;

f. articulating and implementing a **user friendly pragmatic interventionist** strategy and in most countries **hands on provision**, as well as financing, of the bulk of **basic services** and **infrastructure**.

g. tied to a **UABS** (universal access to basic services), **PPP** (production by poor people), **SNAP** (safety net access provision) triangle to tackle absolute poverty reduction, human investment/productivity enhancement and political sustainability.

This is a somewhat economistic formulation - especially in respect to peace and UABS/PPP/SNAP. That is deliberate because the risk of seeing peace and poverty reduction as somehow divorced from macroeconomics, 'out there' and somehow secondary or postponeable has been a very real one in the SA period. It is crucial to see that peace/law and order/production by poor people are closely interlocked with failure on those fronts virtually guaranteeing a poor macroeconomic outturn. Similarly, UABS is not an optional extra or 'merely' a 'social' desideratum - it is the foundation for medium term increases in labour quality and productivity and therefore for growth and competitiveness.

The **African leadership** issue is probably self-evident - but not self-activating - within SSA. External experts - especially brief stay and/or one shot ones - lack the historical, social, political, economic and institutional foundations of contextual knowledge necessary to conceptualise - let alone articulate - operational strategies. That many Africans lack any serious historical contextual knowledge is a more readily remediable weakness. Further, the fact that - with exceptions in both directions - Africans are more committed to their contexts (not least because they have to live in and with them which - literally - high flying consultants do not) is a logical efficiency desideratum. Finally, while a foreign coercive hand (real or purported) may be a useful cover reason to institute changes, it cannot provide a stable political basis or an enduring foundation of confidence for the long haul.

To argue for African leadership and strategic initiatives is not to argue for **isolationism**. No country or continent has a monopoly either on insights into its own issues or on specialist technical knowledge. Furthermore, in a quasi global economy of which it is the weakest region, SSA has to take the opinions, interests and actions of others into account. There is no way to avoid dialogue and compromise - nor was there in the 1960s or 1970s and nor have more self-confident and successful African economy governments, e.g. those of Botswana and Mauritius - sought to do so. The issue is dialogue and compromise versus dictation and imposition both at the level of style and at that of substance.

Moving from a 2% to 5% range of trend annual growth rates to a 5% to 9% one requires both more resources allocated to priority purposes and their more effective use. In the short run this does require **reallocation** of both domestic and external resources and particularly those within the public sector. That assertion is not misplaced.

The real questions are **from what to what**. Cutting hospitals which are already near qualitative and quantitative collapse to expand clinics or raising fees on absolutely poor people to improve the quality of primary education and health care to which they then have no access (and pay no fees!) are not self-evidently the wisest reallocations. A different short list could include:

a. reduced **military** spending - especially on arms, heavy equipment, vehicles, ammunition and fuel - tied to achievement of peace and only partially reallocated to civil policy and magistracy;

b. achieving **external debt service** writedowns in part to lessen actual payments but even more to end the confidence destroying overhangs of - at least nominal - future payment upsurges;

c. cutting **expatriate personnel** and **external course elements** in technical assistance by up to 50% with reallocation to allow pay adequate to keep citizen personnel on the job and - initially perhaps via joint ventures - to build up domestic (or sub-regional focal point) education, training and research capacities.

These reallocations can have a kick-start impact. To be sustainable they need to lead into:

a. **collecting taxes due** (of which one-third or more are usually evaded largely because low pay contributes to for many tax collectors from the field to the ministerial suite working for (non) tax payers);

b. achieving a **growth dividend** from accelerated growth by ensuring the tax system is income elastic and eschewing tax holiday windfalls (cloudbursts to the Treasury) which are usually neither necessary nor cost efficient;

c. using success (plus better human and infrastructural quality) to pull in more external and domestic **enterprise savings/investment**.

The 'what you don't pay for, you don't get' point - taken together with massively higher large and middle scale enterprise pay for comparable posts - should demonstrate the need to **pay** basic service providers as well as analysts **more** to **lower unit output costs** and to improve quality.

No even potentially viable post structural adjustment strategy can be *laissez faire*. This is not a matter of ideology but of contextual reality:

a. **mass provision of basic services** - health, education, water - will be by the **state** (including local government), perhaps in partnership with domestic social sector bodies, **or not at all**. Without it neither social stability, rising labour productivity nor competitiveness can be attained;

b. the same holds for basic - especially rural - **infrastructure** including railways, airports, highways and - in most countries, domestic communications, parts and power distribution. Power generation and wholesale transmission as well as international telecommunications are the only sectors likely to be attractive to enterprise investors in a majority of SSA countries;

c. **good housekeeping** requires pro-active monetary and exchange rate policies and - given the necessary share of GDP (25% on Bank recommendations) for basic services and infrastructure plus even minimum security, general administration and debt service cost - **fiscal policy.** Even if the budget is in surplus on current account and domestic bank borrowing low, taxing and spending of that proportion of output are interventionist simply by being purchasing power's biggest battalion both overall and allocationally;

d. **reducing barriers to entry** into middle business and "levelling playing fields" to make them domestic (and resident foreign) enterprise friendly is not merely a matter of getting out of the way of market forces. SSA has very imperfect and gap ridden markets (ranging from lack of reliable term contract wholesalers of food in Ghana to interlocking oligopoly domination in South Africa). The need to **remove** policies intended to redress market failures which have proven even more costly than the failure were, does **not** solve the original problem - one is **back to market failures** (external economies and diseconomies, oligopoly/oligopsony, simple absence, high transaction costs). The need is not to avoid intervening but to intervene on a reasoned basis in ways intended to improve market functioning. For example a break-even or maximum cost targeted last resort buyer/seller of storable staple basic foods which rotates stocks can meet this test, but not a monopoly buyer/wholesaler which 'achieves' open ended losses and thwarts commercial sector development especially in rural areas. For that matter "food for work" or "free food" on a permanent basis are equally rural commerce and transport and producer/consumer rational choice constraining whereas labour intensive local infrastructure building financed by needed food imports wholesaled into the commercial system on entry can be market developing. Interventions need to be reviewed regularly to identify unintended negative effects and changes in markets rapidly lead to prompt removal or restructuring;

e. recognising that **enterprises need** a frame of law, order, rational incentives, healthy and educated workers and functioning infrastructure, i.e. **state spending** on these (within the limits of good housekeeping) **pulls in rather than crowds out** enterprise investment and **raises rather than lowers** overall (after tax) investible and amenity consumable surpluses.

Nothing is more damaging to strategy construction, let alone operation, than a ritualised cold war dialogue of the deaf setting up states and markets as inherently antagonistic.

By the same token the case for **very limited state involvement in direct production, commercialisation and distribution** is overwhelming on a pragmatic basis today although - even in retrospect - it arguably was not in the 1960s. The basic services/infrastructure/peace and security requirements add up to minimum expenditures which will press heavily on prudent taxation and prudent borrowing limits in most SSA economies for decades. The higher the share of directly productive expansion the enterprise, the better in virtually all cases.

In the case of **public utilities** - telecommunications, power and, perhaps, ports - more enterprise investment would be desirable. The problem is achieving it at reasonable cost. Enterprises currently are either not interested at all or factor in such a high risk premium as to make user costs development unfriendly. Contracts also pose problems - once investors are interested, take or pay electricity generation putting all the risk on the users or the state can readily lead to over-capacity and excess tariff levels. That is a very real danger not a hypothetical one as illustrated by the Philippine scenario from 1993 blackouts to 1996 excess capacity overhang even with a 6% overall domestic growth rate and a higher one for electricity sales.

Mineral sector joint ventures may be another exception. The basic challenge is to achieve:

a. enterprise financing of **risk** at the prospecting, exploration and design phases, because it is too large and lumpy for an African economy (or fiscal system) to sustain;

b. providing an **adequate** (to secure "a") **rate of return** (say 25% annual cumulatively on equity for the investor) rate of return on successes within normal tax and regulation parameters;

c. ensuring state involvement in **strategic decisions** with major economic consequences internal to the domestic economy but external to the investor;

d. securing the **bulk of the rents** on bonanza successes for the domestic economy via the state (whether by profit share, "additional profits tax" after 'an adequate comulative return rate to investors' or a combination).

Joint ventures can do this. In Botswana they have worked efficiently as - subject to greater personnel constraints - also in Angola. In the first case near UABS and SNAP (now including old age security as well as public works and drought mitigation employment) have been financed. In the second the core of the state - however battered - has been preserved and South Africa forced to sue for peace in a hi-tech war financed by the revenues garnered by the national oil company. In both cases a national strategic approach to the sector has been relatively effectively maintained.

But a badly run joint venture can lead to massive leakages - of funds and of environmental pollutants. The available data suggest that these criticisms do apply to - for example - Nigeria's National Oil Corporation.

However, it is **not clear a joint venture approach is necessary**. The first two and last goals could be achieved purely by a low royalty plus normal company tax plus additional profits (economic rents) tax regime and the strategic one by a single 'golden share' providing for pre-agreement on a limited range of key decisions and for a minority of government named directors plus an external auditor responsible to both to the Board and to the 'golden share holder'.

Privatisation is not central to creating an enterprise friendly climate - albeit **removal of market access barriers** is. However, because many public enterprises are starved of funds for renovation and expansion and of knowledge to improve productivity and competitiveness at home and to capitalise on niche export opportunities (not least in SSA), the pragmatic case is to sell off (perhaps on an interim joint venture basis) with the new owner or managing partner guaranteeing rehabilitation, expansion, pursuit of export markets (**not** on that of maximum cash down) and of evaluating 'bidders' in terms of capacity to deliver these. The problem is that such contracts are less transparent than open auctions with highest bidder winning, but the investment, production and export inefficiency of pure auctions is likely to outweigh any transparency gains.

The case for state ownership is further weakened by the **scarcity of adequate public sector personnel** and the policy of paying them much less than even the domestic private sector. This is true not merely at the public enterprise but also at the government level. It makes little sense to own a group of enterprises to maximise revenue and generation of external economies unless analysis on targets, costs, gains, outcomes is possible. The near universal absence of that capacity leads to autarchic public enterprise 'autonomy' by managers, and all too often for their personal benefit. **Regulation** - while subject to severe limitations - does require less personnel, has lower downside risks and lessens the danger of dishonest, private purpose oriented collusion between politicians and managers (even if it creates risks of a somewhat different set of collusive arrangements).

The need for **competition, or an analogue to it**, for 'the market' (more accurately the actual, existing markets) to function in the interests of small users and macro growth and development does require intervention and regulation. The "**invisible hand**" in Adam Smith is **not any market but a competitive set of markets** in none of which is any player large enough to have significant market power.

Unfortunately -as lucidly set out in his pin factory case of multiple task specialisation at a large scale versus small scale hand hammering an iron bar into pins - Adam Smith's analysis of the cost efficiency gains of specialisation and division of labour demonstrated prophetically why the very visible hands of - say - Anglo American or Tanesco (Tanzania's electricity corporation) would ubiquitously replace the invisible ones.

Even when several enterprises would be viable on scale grounds, collusion (sometimes among surprisingly large and apparently unstructured groups as in many West African urban stall markets) is near ubiquitous. The somewhat fundamentalist concept of providing global competition - by near universal tariff removal - also has limitations. In many sub-sectors the number of even global alternatives is limited and their degree of non-collusion suspect. In others - e.g. medium and small scale construction, public utilities, much of retail commerce - it is not practicable to introduce external competitors. Even on strict classical and neo-classical grounds initial protection to allow "learning by doing" are frequently justified (as exemplified by the Asian NICs and to a substantial extent the Brazilian, Colombian and Mexican manufacturing sectors) or 'rehabilitation' in the case of debilitated SSA enterprises. So are anti-predation measures to block 'competition' designed to take out competitors and institute monopoly or collusive oligopoly. The extent (and sophistication) of public utility regulation and anti-cartel/pro-competition activity in the USA and the EU counsels against assuming 'the market' will achieve efficient competition by itself.

Unfortunately to demonstrate the need for and uses of intervention and regulation does not lead directly to answers to "**How?**". Much of 1960-95 experience in SSA (not least South Africa) is more relevant to "How **not**" to do it. Even what worked in some contexts often looks rather dated and probably overtaken by changing contexts. For example, to argue that import control to maintain a positive trade balance, positive real interest rates to incentivate enterprise savings and channel them to the state and fuller capacity utilisation focused output encouragement were appropriate in Zimbabwe over 1984-89 because exports, terms of trade, revenue and expenditure were all severely impacted by a near full scale war and there was an initial 25% capacity under-utilisation is also to argue that since neither condition pertains in 1996 straight reversion to the 1984 patterns of intervention would be unwise.

Nor is it all that helpful to look at East and Southeast Asian experiences as blueprints. They do demonstrate the uses of intervention, of selective support of efficient (or rapidly learning) enterprises, of using education and infrastructure (the latter financed in large part by external borrowing) to pull in enterprise investment. In general - as even the Bank concedes - these approaches were fairly well chosen and on balance at least marginally development/transformation enhancing. (The domestic and Japanese perspective is more enthusiastic than the Bank's rather grudging endorsement.) Clearly allocational decisions were made on an analytical basis and primarily to further broad public policy purposes. But the methods were non-transparent, did not level key playing fields so much as build ramps to them for anointed enterprises and did lead to substantial payment of 'rents' to decision takers, even if these payments seem to have been more 'privatised taxation' of enterprises chosen on a more analytical basis than pure bribes to bypass criteria.

Reflecting on the severe problems arising from **lack of transparency and accountability** (within as well as outside of government) and the **ubiquity of corrupt practices which do determine decisions** (not just 'tax' winners chosen on other grounds as practised in several Asian tigers, albeit not Hong Kong and Singapore)) it is **hard to be optimistic about direct transplantation of a Korean, a Thai or a Malaysian system**.

The **UABS** (basic services), **PPP** (market and infrastructure access for poor producers), **SNAP** (survival support to make possible household livelihood rehabilitation and child development as well as dignity for aged and incapacitated persons) theme could be termed **"absolute poverty reduction"** (not just alleviation or pain of poverty). The reason for not doing so here is to stress its household, sectoral and macroeconomic significance and, therefore, the need to see all three strands as interlocked and to mainstream each into major line and central economic ministry thinking, prioritising and acting. The same principles apply in respect to gender and environmental issues which are important and are not readily accessible from (or reached by) highly generalised macroeconomic formulations, but unless mainstreamed into political economy and overall macro strategy end (inefficiently) as underfunded, over marginalised nurseries and fig leaves.

To accept **UABS-PPP-SNAP** as a key strategic cluster underlines the need for a large, strong, pro-active, interventionist state. No one else will or can provide UABS; market imperfections/failures weigh especially heavily on poor producers; safety nets are - by definition - not 'profitable' except at the macro (state) and human affinity group (especially household and family) ends of the spectrum.

Notes On Building Blocks

The performance record, the challenges it poses plus some building blocks and broad implications for strategy have been set out above. What follow are some notes on often overlooked macroeconomic - political economic -household economic and moral economy interactions.

Good housekeeping is the child of structural adjustment and grandchild of the pre-1979 crisis early warning and response systems of some African Treasuries. It is different from its parent (though not its grandparent) in:

a. being intended to avert and contain crisis rather than to seek to alleviate and reduce them once full blown (an option rarely open to SA);

b. as a result being a necessary supporting (and secondarily parametric limit setting) element in a substantive goal oriented strategy;

c. and more articulated to the real economy down to household level and to the social stability and long term productivity aspects of poverty reduction than is practicable in a shorter term, macro imbalance reduction focused approach like SA.

In respect to its grandparents the needed difference is survival which may depend on clearer realisation that the **tactics used to cope with, limit and ride out one crisis may well be inappropriate for the next** - as brutally illustrated by many SSA 1989-92 attempts to rerun 1974-75 crisis management. **Rapid appraisal** of results with rapid **feedback to short term policy** if the initial results are inadequate - and *a fortiori* if they are in the wrong direction is crucial. SA itself is uneven on incorporating these insights with a tendency to repeat cutting mantras long past the date substantial gains were available by that route - except from defence, debt service and expatriate salaries.

Three external agenda items fall under good housekeeping:

a. securing **external debt service writedown** (not just deferral) to levels consistent with 6% growth and external balance (including reasonable aid and investment projections) i.e. a uniform set of criteria applied case by case. This is, at last, squarely on the agenda of the Bank, Fund, Development Committee and both ECA and ADB would do well to analyse for and to organise a clear, articulated African position. Because such writedowns reduce uncertainty/remove overhang they are crucial to investor confidence. Because they free earned foreign exchange they are more efficient and market friendly than most tied and use designated aid;

b. putting sustained pressure on the IMF to fulfil its charter obligations and go back into the "**lender of first resort**" business - i.e. bridging finance rapidly available to ride out or to adjust to unexpected stochastic shocks. These shocks are no less likely for poor, constrained economies than for others and their option for reallocating or borrowing to meet them are few and weak. The locking out of SA economies from "first resort" IMF finance in return for a mini IDA (ESAF) is unsound. Both IDA and IMF are needed and there is at least something to be said for the Fund specialising on short term monetary issues and IDA on longer term strategic and structural ones. The revised ESAF of 1995 does open the door toward return to short term shock coping facilities. ECA, ADB and AACB should prepare positions on levels of funding, criteria for drawing and terms/modalities to capitalise on that shift;

c. **improving quality of ODA** (which is unlikely to increase quantitatively whatever SSA does) by an "envelope" approach in which the country proposed a total package of project, programme, personnel and technical aid linked to its strategic priorities and to particular performance targets and subject to provision of overall propriety audit and specific real performance (e.g. enrolment, vaccination, road maintenance) target auditing results. In particular this should allow a **domestic strategy driven/partially donor fuelled approach to replace** a dominantly **donor driven/partly domestically financed one**. One result should be radical reduction of expatriate personnel and overseas courses in favour of programme support to civil service reform (including pay) and domestic education/training institution capacity building. Within capital projects, some countries need to alter the balance in favour of decentralised, rural, labour intensive infrastructure and of rehabilitation/deferred maintenance. This is a more problematic area than the first two. Donors - except some elements of the Bank - do not perceive how PER enforcement of **sub-market public service pay (technically oligopsonistic pay repression) and increases in expatriate provision create an economically inefficient and decapacitating vicious circle** even if all intentions are for the best and all technical assistance personnel micro competent. It is for Africans and African institutions to take the lead to demonstrate that interaction rationally, analytically and soberly. Since donors really do not wish to reinstate colonial rule over and concomitant responsibility for Africa, there is no basic contradiction of interests (even if there are secondary ones) but rather a very faulty donor perception of the present debilitating dynamic.

In respect of **budgetary balance** SA - necessarily as a crisis reduction set of tactics - has not been able to focus on long term good housekeeping and has been forced to seek (and often to resile from) quick fixes. Key long (and often short) term elements under the good housekeeping rubric include:

a. **collecting taxes due** under existing legislation. Somewhat incomplete evidence suggests a typical shortfall in the 25% to 50% of present collections range. Exceptions - e.g. Botswana, Mauritius - are characterised by transparency of tax concessions, honesty from field to decision taker levels, a properly paid (by salary not tax share), professionally organised, proud tax service cadre and a limited number of broad based taxes which are reasonably straightforward to assess. Requiring publication of all exemptions and waivers (once standard practice in Anglophone Africa and now making a comeback in some cases, e.g. Tanzania) is low cost/high gain. Streamlining assessment and concentrating on at most half a dozen key taxes is collection cost, personnel and communication system friendly. Professionalism in tax services turns largely on training, a belief that the top of the system is honest and adequate pay (to avert 'tax sharing' by collection and pocketing of a proportion of tax due while collecting and transmitting little or none). Logically this is part of overall civil service reform, but initially it may be easier to handle via a separate tax service under a quasi autonomous assessment and collection (**not** policy, rate setting or review and analysis) agency.

b. achieving **efficiency in expenditure** including **increases** (e.g. basic drugs and mobility so that health personnel can earn their salaries) and **reallocations/restructurings** (especially out of incremental funding) as well as cuts. The prime candidates for cuts are military (post peace) and debt service (external debt writedowns, prudent macro policy to reduce domestic interest rates). Across the board cuts are usually inefficient, unchecked pressurised cuts usually either savage maintenance and training provisions or lead to (cleverly planned in some cases) hidden shortfalls which in the event have to be covered by supplementaries to avoid sudden shutdown of key services (in one extreme case making a 'mistake' of over a third in estimating the salary bill for nurses and in another 'forgetting' army vehicles use fuel). Minor ("candle end collecting") cuts are worth having but rarely add up to more than a low single figure per cent of spending so cannot be a substitute for strategy.

These comments assume an SA programme or its analogue has ended freefall, broadly overcome gross incoherence and gaps (including incoherent accounting) and restored a broad framework of public purpose and honesty. In the absence of these preconditions, neither economic analysis nor applied economists have much relevance. (For example, in one actual case 10% of billed manufacturer level sales tax was actually collected, and in another over 50% of initial expenditure entries were so poor as to be 'unallocable' by use.)

Peace and security are accepted by development practitioners and up to a point by economists as important. However, macroeconomic applied analysis (not least, but not only, SA) has treated them either as 'noises offstage' or as the objects parallel (and specially funded) programmes not as an integral part of macroeconomic strategy. On the other hand, peace-security-reconstruction practitioners and analysts have tended to view macro economists (of whom there are very few among their own ranks) as tiresome naysayers far removed from reality and have failed to work through household through regional and sectoral to national linkages (as well as their plausible sequencing and phasing) in their own terms. Both are serious errors, not merely intellectually, but even more in resultant policy and resource allocation inefficiency.

While calculations of lives and output lost are unlikely by themselves to end a war they do have a salutary shock value both for outsiders potentially able to contribute as mediators and also for convincing participants that 'victory' will be more costly (in human and in economic terms) than compromise. Southern Africa is an example as it is of the fact that fiscal exhaustion can help end a war.

It is now fashionable to analyse gainers from war - with arms manufacturers and 'self-help' informal sector accumulators (whether armed elements or merchants of adversity) targeted. These are factors in war dragging on - especially when state collapse makes non-professional armed bands the least bad livelihood option as in Liberia, perhaps Sierra Leone, parts of Somalia and Sudan 'militias' - but rarely dominant ones. Most Somali merchants do not perceive "warlords" (literally because their powers are for the duration and would revert to more senior elders were there to be peace) as necessary to their continued success, but as an obstacle to it. External actors can help exacerbate a war, but can rarely foment it out of clean cloth (Rhodesian and South African created Renamo was very unusual) nor keep it going if main domestic fractions want peace.

There is calculation in continuing war but usually one based on the marginal cost of "holding on" to "victory" versus the losses (including sunk war costs) of accepting defeat. To the extent this calculation is a misperception, analysis of costs can at least marginally strengthen the hands of advocates of a speedy bargained resolution.

Another use of such analysis is to articulate what can be done to alleviate war costs during and to rehabilitate out of them after the conflict. As with the costings UNICEF's *Children On The Front Line* did address these issues as did 1990 and subsequent Mozambican secure area, and later overall, rehabilitation strategy.

Further, the costs do underline three economic imperatives:

a. however unattractive, **buying out opponents** - at least by treating ex-combatants equally between 'sides' - is likely to be a **good investment**;

b. substantial **expenditure to achieve reintegration into society and economy for ex-combatants** is - in addition to its moral economy rationale - likely to be prudent to avert either flaring up of war or substitution of privatised, decentralised war (usually termed armed banditry in the standard, not the Mozambican, sense);

c. substantial **preventative expenditure to strengthen peacemakers** (e.g. by enabling them to offer more services and infrastructure to potential insurgents) may seem expensive but is likely to be very much less than the cost of war - even to donors, let alone to the people of the afflicted territory.

The maintenance, negotiation and sustaining of peace is not a cluster of issues on which external initiatives in SSA have a very good track record. The apparent relative successes - Zimbabwe, Namibia, South Africa, Mozambique, Eritrea, Somaliland, were - in the first four cases ones in which international action supported (sometimes accidentally) domestic and regional initiatives or - the last two - ones in which initial international interventions were against the dynamics that led to relatively peaceful resolution but were unable to thwart them.

Neighbouring and sub-regional African states are often more aware of the historical and contextual roots of conflict and more cultural similar to participants than outsiders and thus better able to design proactive conflict avoidance or speedy resolution strategies than anyone else. Tanzania - OAU led negotiation probably would have averted the horror of 1994 Rwanda and re-stabilised Burundi had not extremists (ironically probably Hutu ones) assassinated the Presidents of Rwanda and Burundi as they flew back from a potential breakthrough meeting. SADC State continued recognition of the lawful government of Lesotho and in alliance with their social sectors (especially trade unions) using the threat of economic and military force both strengthened domestic resistance to the 1994 Lesotho coup attempt and led to its peaceful demise. The contrast with the initially similar Gambia coup as to ability of the illegitimate regime to consolidate and to survive could hardly be more stark.

Evidently not all neighbours are viewed as disinterested (as partisans of peace for both humanitarian and self-interest reasons - Tanzania can ill afford to keep 20,000 troops on its western border nor the loss of not insignificant markets, while still less can it allow Rwanda-Burundi-Zaire conflicts and combatants to roll across the borders). Nor are their armies automatically logical peace keepers (in Rwanda both Uganda and Zaire forces would - rightly or wrongly - be viewed as partisan). But these issues are among those more easily identified sub-regionally than globally. Further, Africans have a more robust view of peacekeeping than does the UN - basically the constabulary one of stamping out disorder fast before its gets out of hand, of saving lives and property and in extremis calling in the analogue to riot police. Whatever the West African Force's limitations, it did drive the war out of Monrovia and Buchanan until the truce and incomplete demobilisation let militias back in and renewed conflict unleashed them. And it was a handful of ill-armed Ghanaian troops who saved up to 10,000 lives in Kigali's stadium by throwing a safety cordon around it in the teeth of contrary orders by their UN Force's Canadian commander-in-chief.

However, if the OAU, Sub-Regional Organisations and neighbours are to take a lead strategically and in articulation and operation of negotiations and of conflict averting or ending resource injections (e.g. primary health care in Rwanda where a politically potent minister who is a committed doctor clearly does see a two-way division, but one between people needing primary and preventative health services and health personnel able to provide them **not** between Hutu and Tutsi), they need outside support. Support for African peacekeeping ventures is needed not primarily in military manpower (albeit possibly in logistics and engineering) but in terms of funds, material inputs (e.g. food, pharmaceuticals) and specialised personnel (preferably to work with, not substitute for, the weak domestic official and social sector structures). As a successful operation on these lines would cost much less than the globally orchestrated disasters in, e.g. Rwanda and Somalia, self-interest and Treasury 'prudence' (as well as avoiding risking their own citizens' lives) might lead to outside acceptance.

Similarly, **refugee policy** as now operated is frequently **ill-designed to reduce tensions or to provide a road back** in cases in which refugees are or have been partisan (e.g. Rwanda though not, on the whole, Mozambique). First, refugees who grow food and build new lives (genuine community structures and service self-provision) in small villages are both better off and better able to return and to be accepted than those who grow hate and build plots rotting in huge camps controlled (with the acquiescence of the international community) by those who led the acts resulting in their being exiles and who plan a violent return. In at least some cases, African ideas, on how to provide 'temporary homes', a chance for new lives and leadership and a phased non-threatening/non-threatened return are much more creative than the 'global consensus' on cost and stay abroad minimisation. In the case of Rwanda that 'consensus' greatly exacerbates tensions in Rwanda and locks in place the Interhamwe domination over two million people whatever host state or actual refugee views may be.

Post-war or post 'sustained', debilitating crisis recovery requires an economic strategy from household to national level to be efficient (either in macro or poverty reduction economic terms). Assuming analysis of costs during the war and a post-war baseline study plus data on refugee return intentions and flows - reasonably practicable judging from Mozambique Planning Commission and UNOMOZ results - are obtained, this involves reasonably standard disaggregated economic policy and programme design.

Requirements - basically UABS-PPP-SNAP including heavy initial rural infrastructure rebuilding (preferably on a labour intensive basis to bolster initial household income recovery) and access to term and working capital finance for rural commerce/transport - are subject to rational estimation and costing. So are probable direct outputs, multiplier effects and overall fiscal (including UABS and infrastructure maintenance), external account and food balance impact magnitudes. To say these are not precise in amount or timing is correct, but the same observation applies to all SSA (and most other) real economy focused initiatives.

Effectiveness both of articulation and of implementation probably requires planning decentralisation - technically to regional or provincial level and to district level on user input and project implementation. The quickest way to get reasonably correct micro data is to ask present and returning residents (including small farming family and commercial households) and field level service providers and administrators. District level technical capacity may not be up to analysis, programme design and finance management level. For example, it is in war refugee afflicted Districts in Tanzania with selective Regional backup, but is not in Mozambique where even Provincial technical and professional capacity needs bolstering to perform these tasks - not entirely surprisingly as Mozambique's total resident stock of tertiary graduates is about Tanzania's annual entry flow and perhaps a twenty-fifth of its stock so that an average Tanzania District has over 20 tertiary graduates (excluding teachers) and a similar Mozambican less than half as many secondary or equivalent completers.

Interestingly, this examination suggests that **rural, labour intensive, decentralised, service-infrastructure-household production strategies are a general type of which post-war rehabilitation is a special case**. That should **facilitate transition** from rehabilitation to further transformation.

Security maintenance has two aspects:

a. adequate numbers of adequately professional **constabulary** and **magistracy** to provide security for **ordinary people to go about their daily lives with low risk of any violent interference and high probability of violators being stopped**;

b. **linking military, police, food, water and livelihood security** to reduce tensions and to attack basic causes early not symptoms when they become explosive.

Interestingly, it is the SADC group's evaluation toward a security system (including parallel regional social sector consultations) which has the potential to focus on the second element. At least conceptually (and, in respect to food and water security, operationally) it is more oriented to this cluster of household needs approach than any other grouping North or South. Potential because resources are slim and, not surprisingly, traditional army and police officers wish to secure the lion's share for traditional uses they have now at least verbally redesignated as for new uses (e.g. a South African blue seas fleet capacity to avert Indian Ocean coups instead of to defend apartheid from USSR submarines).

Investment and savings underperformance relates in large measure to output growth underperformance. However, to say that is somewhat unhelpful in identifying how to break the circle. Fairly clearly policies intended to be enterprise friendly cannot have growth payoff if investors "wait to see" and by doing so 'sustain' low growth of output and demand thereby 'validating' not investing. That problem applies to domestic and *a fortiori* to external investors.

The elements in a breakout strategy include:

a. **infrastructure** rehabilitation and expansion to lower costs and to raise demand for enterprise (and household) production;

b. **basic service** revival and expansion to improve present and future quality and morale of employees;

c. standard **tax rates** which are not radically out of line with global levels;

d. relatively easy prompt and regulation free **access to imports** for use in production and commerce;

e. rates of **inflation (including inflation of the price of foreign exchange)** which are relatively low (**preferably single digit**) and are either relatively stable or on a downward trend;

f. both analytical projection evidence and business **expectations** the preceding climate can be expected to continue - i.e. business confidence in a stable as well as a currently favourable business environment.

The expectations element is crucial because its absence is likely to make the other five elements unsustainable. Keynes' remark that the **"animal spirits" of entrepreneurs** were crucial to investment decisions is especially true when these are gloomy. SA period experience suggests a 3 to 5 year lag between an improved policy and allocational pattern and significant enterprise investment response. The negative impact of non-confidence has been especially dire in Zimbabwe. Similarly it could block South African transition to a sustainable 6% growth path.

How to influence expectations is not subject to detailed general answers. However, observation suggests five useful rules of thumb. First, **avoid** language most businesses perceive as **threatening** and second, provide **channels and fora** for dialogue with enterprises (even if not for agreeing with all their proposals); **third**, be prepared to argue the case for policy and prospects based on hard evidence and projections in terms understandable to enterprises; while **fourth avoid repetitive major policy shifts** and **fifth, do not allow policy promulgation and implementation actions to appear to reflect panic and incoherence**. The fourth point poses difficulties. It can support a "big bang" - e.g. removal of all import and exchange controls at one go - as a basis for subsequent policy stability. But in many cases - usually including the one cited - that shift would be so doubtfully sustainable, the uncertainties and traumas of transition so great and - for some businesses - the worsening of competitive pressures so rapid and high that freefall of confidence would be the most likely result. However, a gradual policy - to be confidence building - needs some early indication of approximate intended destination, phasing and commitment/ability to keep with it. The last point (appearing to know what one is doing) should be self-evident but is regularly violated (not only in SSA). Frank admissions of problems (and even of past mistakes) linked to relevant set of actions and plausible projections of results can reassure; implausible denials plus random acts plus statements all will soon be well are usually highly counterproductive.

The stability/confidence factor explains the negative impact massive, rapid liberalisation can have. As noted, enterprises believe their own subsidies, protection and special treatment are 'special cases' amid a sea of unjustified ones for others. Therefore, they may well see any actual liberalisation - especially if not pre-explained and with transitional provisions - as a reason to seek to block change and to contract not to transform.

Tossing resources (e.g. tax cuts, trade union constraints, cheap money) at the confidence problem is no cure. First, resources are scarce. Second, expectations are not easily bought - especially if the handouts look unsustainable. Third, a government perceived as worker, consumer, small farmer unfriendly will (deservedly) face growing social stability and crime problems, themselves corrosive of business confidence.

Savings, even more than investment, under-perform whenever growth (and therefore profits/investible surpluses) does. It is not quite true to say achieve growth and then profits and savings will look after themselves. That is, however, a large part of reality. One main caveat is that **government recurrent expenditure** should (including if necessary a portion of external grants) be **in balance or surplus**. This is a useful rule of thumb to avoid open ended diversion of private savings to public recurrent expenditure.

Visible/domestically invested savings are **highly volatile with respect to confidence/expectations as well as to investible surplus flows.** A business investor can normally expect higher returns on savings invested in his own enterprise and an individual saver normally has a preference for investments/investment institutions which are intelligible and offer easy access. But if the economy is stagnant or declining and expected to remain so and/or if war and exchange rate risks are perceived as very high, assets (both flows and stocks) will be diversified abroad to reduce risks with negative consequences for actual domestic investment and visible domestic savings. Opening up the economy - useful or even necessary as it is for other reasons - makes preventing such flows when expectations are poor rather like carrying water in a sieve or a badly rusted petrol tin.

Missing Middle/Avoiding Muddle

This area is an example of the case for **joint state/enterprise action** and of policy by **education/persuasion**. Except in respect to its own purchases, the state cannot directly build up the large-middle enterprise linkages which characterise Asian and European economies. In the absence of these, training plus site and service schemes will be of limited impact. Similarly in respect to credit access, devising methods to lower transaction costs - perhaps by links among 'informal' credit bodies (e.g. tontines, credit societies) and financial institutions - the only practicable route to implementation is persuading banks to experiment with them (perhaps backed by partial, limited period guarantees).

It also illustrates the need to acquire data - including the **user friendliness** of proposed approaches - before acting. Data on middle scale enterprises, on 'informal' credit providers and on middle/large enterprise links are at best scrappy. Further, they rarely rest on in depth interviews designed to identify ways forward, still less on selected working groups including large enterprise (including banks), middle enterprise (including credit societies) and government personnel.

Exports - Earned Foreign Exchange Source Transformation

Exports are in certain respects like middle enterprises. **Action needs to be predominately by enterprises**; is unlikely to happen automatically and could **benefit from selective state action** - e.g. in education and infrastructure provision. But if transformation of exports is needed, more data and analysis are required before existing enterprises can take decisions or before new ones (especially new foreign ones) will recognise opportunities to which to come in. Information and analysis does have economies of scale and is more attractive to bodies with a long time perspective which suggests a leading state role so long as it is based on securing and analysing in forms useful (and convincing to prospective producers/investors).

The **case for enhanced export earnings** (including tourism and overseas citizen remittances) is straightforward and has no necessary link to an export led growth strategy:

a. the only foreign exchange truly subject primarily to national allocation decisions is earned foreign exchange - exports;

b. economic expansion requires net additional imports - even if it is primarily domestic market centred;

c. this is especially true in SSA in which (except for South Africa) the direct plus indirect content of fixed investment is usually in the 60% to 75% range and in which a key to sustainable rapid growth is a sharply high ratio of fixed investment to GDP;

d. economically smaller economies are more likely than larger to benefit from specialising into some products and out of others to achieve scale advantages (an effect reinforced by specialised natural resources) with resultant import requirements and thus required export earnings;

e. even if not based solely or primarily on cross border trade, regionalism implies more trade - in power, transport and communications/transport/commerce as well as goods. Production coordination requires trade to validate it,. even if the production not the trade is the underlying goal.

It is equally straightforward to demonstrate that present export bases - even if adequate quantitatively now, which is the exception not the rule - are not structurally satisfactory over a 20 year perspective and urgently need to enter into a transformation phase:

a. the bulk of African exports are in a **handful of raw materials** (petroleum, diamonds, gold, copper, coffee, tea, cocoa, cotton, tobacco) all with **low short term price elasticities** and **histories of unstable prices**;

b. in several cases the **elasticities** are so **low** enhanced export volumes for SSA (and in cocoa for Côte d'Ivoire and Ghana nationally) reduce export earnings (the price decline more than balancing the quantity gain);

c. further many of these products have **low income and time** (net new uses/users) **elasticities**. Only petroleum is an evident exception (at the SSA or All Africa level - nationally it is attractive) and that probably only after 2000;

d. in general SSA is composed of **high cost producers of most of its own main exports** and SSA economies are weak financially. A free for all to shove the weakest to the wall by very low prices for several years would be catastrophic - no exports are hardly an improvement on quantitatively and qualitatively inadequate ones.

Two standard (if contrasting) mantras are misleading in more cases than not in achieving export diversification/transformation:

a. "**industrialise**" at least with no specification how or into what or assuming that free trade zones (a low proportion of total industrial exports except in Singapore, Hong Kong, Puerto Rico and Mauritius) are a generally accessible high road;

b. **"diversify" into somebody else's raw material exports** - as the Bank (often rather absentmindedly failing to look at producer wide results of country specific policies) has been advocating off and on since 1947. That approach does limited good on volatility (raw material price swings are fairly highly correlated) and is disastrous if it unleashes a production surge of low price and income elasticity commodities - though it may benefit a new entrant seeking only a small share of the global market.

In actual contexts a much more country specific - and usually a mixed - approach is likely to be appropriate:

1. engage in **cost reduction and supply sustainability enhancement oriented research** on traditional exports, e.g. coffee - tea and tropical timber respectively, and encourage (or in some sustainability cases enforce) enterprise and household adoption. Malaysia on rubber

(and enterprises there on cocoa) is an example. This does not do much for demand elasticity but it defends competitiveness and raises net producer earnings at any given output level;

2. identify suitable **new natural resource** (including soil and climate) **linked exports** with at least medium term high income elasticities as Brazil did with orange juice concentrate;

3. study **new uses or markets** which would either sustain weak existing exports (e.g. sisal use in high grade paper production) or allow a switch from low volume/high price to huge volume/lower price target users (as has happened in the cases of bauxite and bananas/pineapples and may be fairly widely applicabie on a smaller scale to other tropical fruits and to horticulture);

4. identify **cost efficient pre-export value added industries** and, where appropriate, protect them for a limited period by an export tax on the raw product (e.g. logs-wood products, sisal fibre-sisal twine, hides and skins-leather or leather products, cacao-cocoa butter, paste, power, mass);

5. explore **other manufactured export** potential including specialised niche products (e.g. identifiably African style cloth and garments);

6. in the case of very small countries with few raw materials and relatively well educated labour forces, explore **embodied labour exports via manufactures** (e.g. garments in Mauritius) or **services** (e.g. tourism in Seychelles; computer punch card processing in Barbados);

7. as well as **'invisible' goods** (e.g. electric power from Mozambique, Namibia, Tanzania) and **services** (transit commerce and transport and also in tourism which is - in respect to SSA - an embodied labour export consumed by the importers in the exporting country);

8. practising **market as well as product diversification**. SSA has remarkable geographic, and in some cases enterprise concentration of markets. As these largely exclude the more rapidly growing Pacific Basin, the disadvantages over time are likely to grow. Similarly some established buyers - notably on pyrethrum which should have enjoyed a boom because it is ultra environmentally friendly - have proven very weak in adjusting to/taking advantage of market shifts.

In theory **overseas workers** could be added to the list (and their remittances are significant in several countries, e.g. Senegal, Mali, Sudan, Somalia), but it is doubtful that this is a growth sector given unemployment fuelled rises in Northern labour market protectionism. That caveat probably applies *pari passu* to **sub-regional labour exports**/imports in Western, East Central and Southern Africa.

None of the above implies the desirability of letting traditional exports die - especially before alternatives are in place. (Indeed sustainability and cost reduction research cut in the opposite direction.) **Ghana's 1966-83 collapse** as a cacao exporter **stabilised real global cocoa bean prices** for about 15 years because its export fall made space for Côte d'Ivoire, Malaysia and other SE Asian countries to raise exports without putting pressure on a market with low price, income and time elasticities. This was worth up to $5,000 million over the period to the other exporters but Ghana could ill afford to provide them with that level of grant aid. *Pari passu*, rapid 1984-90 **revival of Ghanaian production wreaked havoc on global prices** but as Ghana could hardly continue to practice export abstinence to subsidise its fellow producers, and had no short term alternatives to cacao, and timber products and gold, it was a realistic policy for Ghana.

Macro economic good housekeeping is highly relevant to exports and in the 1970s and - *a fortiori* the 1980s - existing weaknesses were exacerbated to crisis proportions. A checklist of export friendly policies includes:

1. avoiding severe (say over the 10% to 20% range) **overvaluation** which - especially for high cost producers - can be export liquidating and is certainly new export preventing;

2. having **no general export taxes** (infant value added industry protection by limited, limited period export taxes on raw forms may be justifiable on a case by case bases) using additional profits taxes for windfall rent producers (e.g. diamonds, petroleum) which have the additional advantage of not penalising marginal producers;

3. encouraging **competition** - e.g. by auctions and domestic export houses and by providing adequate data to enable sellers to have a level playing field *vis-à-vis* buyers. Where **buyers** are **oligopsonist** (e.g. cashew kernels, tea) some intervention to create **countervailing market power** may be appropriate;

4. providing simple, speedy means for exporters to reclaim **import** and **domestic indirect taxes** embodied in their exports whether by bonding systems or formulae providing for fixed recovery per unit for standard exports (with the list and sums regularly updated);

5. avoiding non-market **real interest rate inflation** (as often practised on IMF advice) which both cripples domestic exporters on the cost side and reduces their revenues by promoting overvaluation;

6. ensuring adequate levels of **general infrastructure** - transport, communications, elasticity, water, financial institutions whether public or private sector provided.

More specific policies - like export products and markets - are likely to be very contextual:

1. **infrastructure oriented to product needs** (e.g. chilled lorries and airport or port stores for fruit and horticulture);

2. **commercial information access** (via Chambers of Exporters or specialist service enterprises where possible);

3. **research and analysis** to identify possibilities plus effective **passing on of that information** to existing producers and potential investors. Modes of passing on need to be user tailored - e.g. extension advice on tree cover for cocoa plantation to farming families; spot mailings and follow-ups to quality paper producers and users on sisal pulp as a paper input.

Regionalism: Multi Purpose Means

In the African context it is important to recognise what regionalism (or more immediately sub-regionalism) is **not**:

a. a movement to creeping executive supra-nationalism which is counterproductive either by creating "we"/"they" clashes between Member States and their own regional officials; or

b. a road to federalism. African states have demonstrated surprising resilience within pre-independence territorial boundaries. Colonial deathbed or early independence mergers have uniformly proven unsuccessful. Mali Federation, Federation of Rhodesias-Nyasaland, Ethiopia-Eritrea, Somalia-Somaliland, Cape Verde-Guinea Bissau have broken up (as has Egypt-Syria across the African/Middle Eastern regions) while Tanganyika-Zanzibar barely survives with majorities hostile to union in each component. However desirable it may be by 2050, federalism is not on the African agenda for at least one decade and probably longer; nor is

c. rapid across the board confederation is also not realistic - a **pooling of sovereignties in selected areas** in which the **whole can be seen to be greater than the sum of its parts and in which acceptable distribution of gains is practicable** is a viable way forward and can logically add an elected sub-regional legislative element to Ministerial and Heads of State albeit only in Southern Africa would this seem to be a likely short run prospect; but

d. a **common market is not, by itself, a viable model** because it does not have adequate political economic or political mobilising forces and because it conflicts (when free standing) with the nationally perceived need for state activism of each and every member, thereby setting up a destructive dynamic of erosion by rising tensions; while

e. **regionalism will not go far if it is purely a government concern** - it gathers force in Southern Africa because the social and enterprise sectors have parallel feelings of common concerns and, increasingly common institutional coordination bodies. To a degree a similar - but weaker - broader base lingers in East Africa (narrowly defined, not as in COMESA) despite a nearly twenty year absence of meaningful interstate bodies.

Viable regionalism is, therefore, a means for promoting **commonly perceived common interests which either require or are facilitated by coordinated or unified action**. Which areas and how pursued in common are highly contextual and those appropriate for West Africa are unlikely to replicate the evolving SADC set. For example, for the water short SADC states achieving multi state river water use conventions and more efficient water use in each state is quite literally crucial to future household security and the avoidance of interstate hostilities not excluding war in the early years of the next century. It is very doubtful any similar priority exists in West Africa. The one potentially broadly analogous case - the Nile Basin - is quiescent until Ethiopia, Sudan, Uganda, Tanzania, Kenya and Rwanda begin serious irrigation and/or urban/industrial extraction expansion. When that happens, major modernisation of the increasingly archaic Nile Water Agreements will be needed, but probably on a free standing basis as an Alexandria to Kigali multi purpose sub-regional community seems unlikely and SADC is realistic enough to have no foreseeable Cape to Cairo ambitions.

The two clusters of common interests are likely to be:

a. **macro** and **sectoral** economic **growth**; and
b. **security** broadly defined.

By broadening free or easy markets and sources (both legally and institutionally as well as by coordinated infrastructure, power supply and water utilisation networks) national enterprises and the regional economy can become lower cost, more secure in market access, higher volume (of output, of exports, of employment) and more competitive. The gains apply to growth of existing enterprises and to the potential for new.

Security from **household** to **regional** and from **livelihood** to **external** (to the region) **military** are the second cluster. Only SADC with food security and a programme in progress on water as well as a Foreign-Police-Immigration-Military associated council has actually begun systematic work in this field. ECOWAS has tried on an *ad hoc* basis (preventative diplomacy plus peace protection) in Liberia and IGAD has attempted reconciliation in Somalia and Sudan but the first is bogged down (by global and intra-regional as well as domestic Liberian factors) and the latter has been to date nugatory. As is evident in the SADC case, a tension exists between basic causes (household livelihood-food-water), intermediate issues (immigration, domestic law and order and cross border crime) and the conventional military themes. Avoiding marginalisation by peace is a clear concern of the South African and Zimbabwean military (and for that matter the Mozambican). Food security-water-livelihood are central to parallel non-state regional concerns which - interestingly - have influenced the regional security process conceptualisation as well as to some Ministerial perceptions.

A highly contentious area is enforcement of minimum regional standards of acceptable governance. Liberia, The Gambia (by inaction) and Lesotho are the test cases to date. Liberia has proven such an appalling and apparently endless burden that ECOWAS was unable to respond to the initially potentially easily reversible overthrow of SSA's longest functioning multi party democracy in The Gambia by a junior officers' cowboy coup.

In Lesotho the SADC states (especially South Africa, Zimbabwe, Botswana) - with active trade union support - did continue to recognise the legitimate government and were thus legally able to use mild, and threaten more vigorous, economic and potentially military sanctions. The coup attempt was thus reversed. More problems arise when a legitimate government is seen as beyond regional minimum standards. Lesotho under Leabua Jonathan and Malawi under Hastings Banda were perceived as "not one of us" and cold shouldered, but not excluded. The fraught transition to a more modern state in Swaziland is a challenge to regional mediation and non-pugnacious use of influence.

External relations are perhaps best seen as an arm of security broadly defined. For example, SADC as a unit can have more influence in WTO - or negotiations with EU - than any one member (even South Africa) separately. Both are arenas in which common interests in economic security (and growth) are at stake. On a joint state-enterprise basis the same applies to strategic expansion of coal exports from South Africa, Swaziland and potentially Botswana, Mozambique, Namibia, Zimbabwe and Tanzania. On a more narrowly defined security theme, Tanzania's efforts to protect its borders against spill-overs of violence from its western neighbours and to put more authority behind its mediation and preventative diplomacy efforts in Burundi and Rwanda could potentially be enhanced by a joint SADC State stance.

Continental regionalism is special purpose focusing on ECA, ADB, OAU in the economic strategy conceptualisation and coordination, economic macro and sectoral strategy and policy advice and finance and political mediation and standard setting and external position advancing respectively. At present each needs a clearer self-definition of its role, a lessened tendency to seek to copy supposed external parallels and both more and more efficiently allocated resources.

X.

STATE CAPACITY: PUBLIC POLICY/PUBLIC SERVICES

All of the general and articulated building blocks require **states with greater - not less - capacity**. To be user, including enterprise and market, friendly and to be weak is a contradiction in terms. To a degree capacity enhancement in key areas can be achieved in part by refocusing, but in varying degrees more (and different) public servants and greater (and better allocated) resource flows are needed.

Public policy requires **data**, **analysis**, **clear** (and reasonably accurate) **presentation of choices and their probable consequences** to decision takers. Statistical, analytical and decision advisory levels of African public services are uniformly weak, even if in wildly varying degrees. Except in the case of statistics - and of extreme cases of war damage or state disintegration - training and motivation are more serious weaknesses than pure numbers. **Cost cutting** - imprudent so-called economies in domestic training institutions and on salaries - has been a large part of the problem. So too has demotivation via technical assistance and external strategy design which has led to a widespread belief domestic analysis and advice is disregarded or treated as inherently third rate, unless and until taken up by an expatriate or an external agency. This area - albeit not the last motivation eroding factor - has been extensively studied.

But capacity to implement depends not only on top public servants but also, indeed primarily, on **front line basic service providers** - up to 80% of the non-armed forces public servants of most SSA states. These are dominantly nurses and medical aides, primary and adult education teachers, extension personnel, water and road maintenance foremen, artisans and technicians, constables and magistrates and field level tax collection officers. Unless these services are adequate in numbers, training and performance neither UABS, PPP nor SNAP can be built up.

Three interlocking problems exist.

a. **pay**,
b. **professionalism**,
c. **productivity**.

The purported cultural barriers are largely bogus - either implicit racist or self-serving exculpation in origin and purpose. Certainly an appropriate African civil service will differ in specific tasks, training, procedures and relationships from that of the UK but UK, French, German, Japanese and Singaporian institutional patterns differ widely too. The case for contextual design and evolution is very real, but sweeping assertions that dishonesty, authoritarianism and self or affine serving overriding public service are African cultural traits (as opposed to universal problems with very serious eruptions in Africa) is both wrong and racist.

The three challenges need to be tackled promptly and in parallel - as slow moving Ghanaian and Tanzanian Civil Service Reform studies are now concluding and as Ethiopia's and Somaliland's new governments decided very early and have begun to implement on a broad brush overall and more focused initial steps basis.

Unless monthly basic service provider **pay** is of the order of **two-thirds of household absolute poverty line budget needs** ($40-50 in lower cost of living and up to $100-125 in higher cost of living states, e.g. Ethiopia through Côte d'Ivoire and South Africa) there is little hope of recreating professionalism, restoring productivity or reducing coping devices which lower effective time at work and lead via decentralised, privatised user fees to corruption (not least by tax non-collectors).

Professionalism requires career structures, known procedures (routinising and decentralising the 90% of functions which are routine and providing guides to how to cope with the others) and training. These are not particularly hard to prepare (Ethiopia has a well advanced exercise as do some Ministries in both Mozambique and Tanzania), but without decent pay implementing is unlikely to go very far.

Productivity - at least for the first stages is **relatively straightforward** so far as standards go:

a. being **at the workplace**;

b. working **on government business**;

c. accepting needed **refresher and broadening training**;

d. meeting **unit specific targets** (e.g. pumps kept functional 90% of the time, children vaccinated, kilometres of road of specified grades maintained).

Beyond that, productivity measurement and improvement can be very complex but with pay and a professional framework these relatively simple standards could yield dramatic qualitative and quantitative gains in virtually all SSA countries.

There is a **danger of overstating the case** for basic services. Contentions that they can, by themselves, **preserve legitimacy and/or restore it** are - at best - **simplistic**.

State disintegration by implosion - notably Sierra Leone - may well relate to capacity weakness. But - as in Liberia - what was perceived as **systemic corruption** and extended kinship/ethnic **group bias in allocation** was the bottom line for lack of perceived legitimacy and for capacity disintegration.

In Mozambique RENAMO from 1980 (or its South African and Israeli manipulators and advisers) clearly saw provision of health-education-water-market access and emergency food security as the achievements of independent Mozambique which gave its government popular legitimacy. These (and their personnel) were systematically and effectively targeted as part of a mass terrorism strategy which also targeted civil law and order to make large areas uninhabitable with literally military or eco-strategic targets either parallel or even secondary. This did erode government support - as seen in the rural vote in 1994 (in contrast to the urban where civil law and order and basic services had been substantially preserved). However, no amount of basic services would have deflected RENAMO's external organisers nor did Mozambique have the means to defend their services.

In Ethiopia inability (and low priority) to cope with averting famine after drought led directly to the fall of Emperor Hailie Selassie and - much less catalytically - to that of his successor, Mengistu Hailie Mariam. However, **repression** and continuation of the "New Empire's" **ethnic and aristocratic near exclusivity** were much more basic to the Mengistu regime's demise and to the reversal of the Ethiopian-Eritrean union.

No one could realistically argue that basic services extension would have averted the long descent into fragmented chaos of Zaire, the explosive ethnic violence of Rwanda and Burundi, the movements to overthrow repressive dictatorships in - e.g. - the Central African Empire (as it then was), Mali, Uganda, Somalia/Somaliland nor the wars to overcome apartheid and its Portuguese colonial buffer zones.

The classic case of **basic services** (including, in addition to health-education-water, famine prevention and law and order plus border security provision) cited as **preserving legitimacy** is Tanzania. It is a very poor state with an unusually strong national identity and a general belief the state and local government are large parts of basic answers. Its brief 1992-94 legitimacy crisis turned on a perceived move toward top level systemic corruption but, as this was linked to a specific coterie and opposed by most senior politicians and public servants, the result was an internal reform within the largest Party which then won a competitive multi-party election and the lasting strains are to the union with Zanzibar, not to central - or mainland local - government perceived legitimacy.

Basic service provision has been **central** to Tanzanian politics - a *de facto* social contract between leaders and constituents. It has received priority allocations of resources - especially defined as including security and market access - even if efficiency in their use is less clear. But underlying this has been a relatively **strong perception that the purpose of public office** (political or public servant) **was to serve public interests** (not private) and an ability of the public to call notable violators of that principle to account. That **ethos has created the basic service focus more than the reverse**. Further, Tanzania had a **shorter, lesser late 70s/early 80s decline** (1978-1984/85, 15% fall per capita in constant domestic price GDP) than most states and is the "classic success" of SA (**per capita fall halted and over two-thirds clawed back** over a decade so 1996 constant price GDP per capita is within 5% of the 1978 high). Nonetheless, basic service provision and protection have been integral to Tanzania's relative socio political success and household economic survival since 1978 and especially so during the frustratingly slow and shaky 1984-1995 clawback (and 1986-1995 SA programme era).

Basic services as healer and reconciler can also be over stressed. In Rwanda it is true that the Minister/Ministry of Health's stress on driving toward universal primary health care with the perceived dichotomy being between service providers and patients/pupils can represent a political and social healing element (if donors will finance it) but in a key supporting, not a potential lead, role. In Mozambique basic service expansion was, and hopes for its renewal are, central to state legitimacy. Therefore, rehabilitation and reconciliation turn on service re-establishment in rural areas. If this is halted by externally imposed monetary restraint so reductionist as to amount to monetary terrorism, economic as well as political and social recovery will fail.

Ethiopia, Eritrea and Somaliland have given **central roles to public service and public services renewal in their political and - less clearly - economic strategies**. In Ethiopia this is seen as integral to creating **a nation of decentralised, federated peoples** out of the ruins of the centralised, ethnically structured New Empire era ending in Mengistu's flight. Averting famine is a top priority backed by resource mobilisation and personnel deployment. In Eritrea service provision is stressed at least in part to **preserve the unity - of highlander and lowlander, urban and rural, Muslim and Christian** - which has been the ground rock of Eritrea's improbable success in attaining and beginning to consolidate statehood. In Somaliland it is seen as central to regaining the legitimacy and relative well-being of the transitional Republic of Somaliland and the autonomous late colonial Somaliland Protectorate and thereby giving flesh to the politically mobilising "**Somaliland idea**". Interestingly, in each case, decent ($40-250 a month) public service pay has been seen as a bottom line for public service recreation and public services delivery strengthening. Initially, funding been provided from domestic reallocations albeit further progress from that source alone is problematic.

Mali may be the potential classic case of basic services as reconciler. Only at one level is its domestic conflict Tuareg-Bamako. More basically it is **semi-nomadic pastoralist versus sedentary cropping social groups**. Underlying the pastoralist bitterness is a brutally simple (to them) model:

a. Pastoral lands are not protected from incursion by croppers - notably the loss of virtually all drought year reserve pastures - creating a marginalising and risk exacerbating dynamic;

b. water point creation has not been user friendly and has in fact worsened drought impact;

c. pastoralist long distance trade has been taxed, licensed and generally hampered to the benefit of urban based quasi oligopsonist traders who snap up herds at distressed prices in droughts and set pauperised ex-pastoralists to herd them in better times;

d. pastoralists pay substantial indirect, fee and licence taxes but receive next to no user friendly (moving with the households) primary education or health services so become more and more at a disadvantage in access to commerce, public service posts or other waged employment.

To present this dynamic of grievance rhetorically as a Bamako-Paris-Washington Institution-SIILS plot is an unhelpful misperception. But the elements cited and their dynamic are veridical. So long as they continue, negotiated settlements and hiring some pastoralist ex-combatants can only buy time (unless all adult male Tuareg are to become soldiers which would pose its own political, social and fiscal problematics). Here the basic services needed are:

a. mobile primary health (relatively easy) and primary education (much harder) services;

b. restored access to drought year reserve pastures - presumably as a focus of anti-desertification and rural water programming since expelling croppers from 'lost' pastures is not feasible;

c. better market access and less 'discretionary' and nuisance taxes on pastoralist merchants;

d. preferential access to 'late' education/training for public service posts so state employees are a less alien cadre in pastoralist areas.

But even here it is clear that public service provision while probably vital (and cost efficient compared to recurrent insurgency) is **consequential on analysis, political conceptualisation and a political *Weltanschauung* focusing on reconciliation and inclusion**. Important, yes, free-standing *deus ex machina*, no.

These examples do not detract from the legitimacy, solidarity and reconciliation cases for UABS. They do caution that here - as in general - easy, simple, universal answers are likely to be easily, simply, generally wrong ones in the absence of historical, social and economic analysis of actual contexts and dynamics and of an actual commitment by political leaders (and in elected government cases by the majority of social and zonal groups backing them) to inclusiveness, public service and reconciliation. Capacity matters, but so do the uses to which it is put and the underlying outlooks resulting in prioritising those particular uses.

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ANNEX

OUTPUT AND POVERTY/HUMAN CONDITION INDICATORS: Some Problems

GDP - FROM HEGEMONY TO WHERE?

The main performance indicator in SSA - as elsewhere - has been **Gross Domestic Product**. As an estimate of total marketed or - at least theoretically - marketable output at market prices (current or constant base year) GDP is useful and has no evident rival.

However it has a number of limitations:

a. GDP covers a country (or a territory) and GDP per capita is an average which abstracts from income distribution,

b. Because it converts all outputs to prices to achieve common values GDP abstracts from makeup as well as distribution, e.g. per capita levels of basic services and basic food production are not always closely correlated with GDP;

c. Serious estimation problems exist at conceptual and - even more - at operational level, especially but not only in SSA. Handling of non-marketed outputs and of outputs usually measured indirectly via input cost pose particularly serious problems;

d. The case against single index of performance as opposed to a family of complementary indices applies to GDP as much as to any other single index.

In the period prior to 1970 these objections to the hegemony of GDP per capita growth as a performance index were usually treated as fairly minor at intellectual and as trivial at operational level. To the extent they were recognised, the problems tended to be viewed as technical - largely soluble by improvement of estimation procedures. Since then the limitations have become much more broadly recognised and perceived as conceptual, normative and operational not only technical. No widely accepted single alternative to GDP has emerged, nor has any simple, operational group of indices. In practice, therefore, GDP remains dominant but now *faute de mieux* rather than from conviction.

Alternative/complement crafting has moved in two rather different ways:

a. constructing **single indices** blending GDP/capita and other indicators. UNDP's Human Development Index averages GDP/capita, life expectancy at birth and percentage of adult literacy. More complex indices seek measures of welfare including specific basic needs performance. In all such indices problems of weighting arise - is average personal consumption per capita more or less important than average literacy rates? Can one rationally weight a basic needs index by using cost of achieving specified standards (which gives very different weights by country for - e.g. - water depending on rainfall and geology)? Further these composite numbers may be good for catching attention but black box experts judgements in ways neither central decision takers nor ordinary people can easily understand. Finally, it is hard to work out a continuum from the index to strategy to policy to project to achieve improvements.

b. setting up **families of complementary indicators** deliberately chosen so that it is practicable to iterate from indicator through operational programme and - via result monitoring - back. The major example is the use of indices (education, health, water, nutrition, personal consumption, etc.) and sub-indices (e.g. percentage of girls in primary school, proportions of total and substantial Extended Programme of Immunisation completions) to link the goals of the Child Summit to specific articulated global and national child oriented programmes. The objection to this particular set is that UNICEF, by mandate, focuses primarily on children and works out in conceptive circles - mother, household, community, country - as their welfare/poverty influences child welfare. However, the evident answer to that objection is for a broader mandate agency - UNDP - to develop a parallel dynamic. A concentric argument is that multiple index presentation does not readily allow unique overall rankings (or even judgements on change if some indices improve and others worsen). However, the answer to that objection may very well be that the world - and human development - are too complex to be represented by single numbers and that decision takers (from household through national level) are in fact used to the need to balance progress toward several objectives not to make binary decisions about one.

GDP and All That

All national accounts are - in part - estimates; none is a complete census. SSA GDP data have very high estimate proportions but their real limitation is the weakness of estimates.

One weakness relates to **non-marketed** (household self-provisioning or so called subsistence) **output** If agricultural estimates are physical ones from district officers no special volume problem arises. However, such problems do arise for housing and for embodied labour and time investment - e.g. in land improvements and tree crops. Pricing is usually 'nominal' farm gate - as if sold - except for housing usually valued in terms of a depreciation rate times non-purchased inputs.

Farm gate prices are appropriate for GDP purposes - total market value of domestic production. However, they are not suitable for poverty or nutrition estimation nor for measuring urban/rural differentials. For that purpose a kilo of maize grown on a farm, processed there and eaten there is equivalent to a kilo of processed meal bought at retail in a town even though in GDP the latter is valued at 3 to 5 times as much. The problem is serious but one of using bases appropriate to the intended purpose, not with GDP *per se*.

Government 'valued added' in GDP is primarily the payroll or the employment roll. That poses problems because a) what is valued is an input not the actual output and b) the estimate of productivity change is 0 (rather unlikely) if the number of employees is used as an index and varies with real wages (conceivable) if deflated payroll is used. The logical solution is to use a weighted average of key physical indicators, e.g. wells in operation, miles of roads of different categories maintained, primary school completions, etc. but this approach is very rare in Africa.

Agricultural output data are very weak. The worst are probably Mozambique's for the small farming household sector based on a 1972 Portuguese survey projected for population growth of 2.6% (versus negative for households actually able to farm from 1980 through 1990) and no change in output per household (either cyclically with weather or secularly with changed crop patterns). Mozambique will soon mount an agricultural census, but until then its agricultural 'data' are little better than random numbers. Most SSA estimates for main crops are now based on district agricultural officer area and output per hectare data. Their reliability (in the absence of crop cutting samples) is unequal and probably low, and as area is easier to estimate than output per spatial unit, they tend to be sticky near an assumed trend growth rate except in years of obvious bumper or disaster harvests. Secondary crop estimates are either projected from Agricultural Census data or simply guessed and are probably systematically too low. Commercialised crop/beast data are taken from exports, large scale enterprises and rules of thumb (e.g. 5% of the population are urban; urban households grow and rural buy no food; per capita consumption is similar; therefore 5% of food is marketed).

The result in some cases - e.g. Tanzania - has been a growing underestimation of marketed output - urban population is now 30%, a significant proportion of rural households do buy food, some ex urban ones grow for self-provisioning or sale, average per capita consumption is higher in urban areas. Similarly systematic, cumulative errors have arisen when liberalisation has replaced single channel marketing making data harder to collect.

The problems of using **employee numbers as proxies** is not limited to the public service - it is widespread in respect to commerce, transport and manufacturing. Nor are formula estimates of marketed food the only ones to go haywire if rules of thumb set up at one point in time are not regularly updated as contexts change. Many industrial and construction output estimates are formula linked to imports - as are many fixed investment estimates If domestic content rises, or the proportion of smuggled goods increases, then these formulae underestimate real domestic output In one extreme cases the overall manufacturing output estimate minus surveyed large enterprises left a negative figure for small scale industry when casual observation and small industry surveys showed it had expanded.

Investment and domestic savings estimates are also fragile. Import linked fixed investment ratios at best approximate reality if neither the makeup of investment, the import content of each type nor the proportion of smuggled goods vary significantly. Except for highly artificial estimates in the case of housing they do not cover the labour and time investment analogue to consumption self-provisioning.

Net investment figures are - virtually without exception - **meaningless** because they are estimated by computing **depreciation at historic cost**. That procedure usually yields 1% to 2% of GDP. However an updated capital stock at replacement cost valuation exercise in Zimbabwe in the mid-1980s suggested 10% as the current price depreciation ratio to GDP near full capacity utilisation with higher levels if capacity under-utilisation exceeded 10%. Correcting net fixed investment figures on that basis lowers them dramatically - often into the red as in the case of mid 1960s to mid 1970s Ghana. Observation of infrastructure, plant and equipment, building and vehicle fleet deterioration in many African countries strongly suggests the lower estimates are the correct ones.

Domestic savings figures are usually estimated from gross fixed investment (or fixed investment plus or minus inventory/goods in process/livestock herd changes) less identified foreign transfer inflow. In principle this is a reasonable route, but given the size and volatility of errors and omissions in many Balance of Payments estimates including unrecorded commercial and footloose financial capital flows (in and out) it may not be a very accurate one.

Finally two serious **price** problems arise:

a. if **terms of trade** change, constant price GDP growth does not represent real domestic purchasing power because those price changes have a real positive (or more usually negative) impact on producers and consumers;

b. if the degree of **over (or under) valuation** varies then conversion to dollars at official rates (even on a moving average basis as used by the Bank) is an inaccurate guide to real output change (at constant domestic prices or such prices adjusted for terms of trade change). Growing overvaluation (as in the late 1970s through mid 1980s) gives spuriously high - and falling overvaluation spuriously low constant dollar price growth rates. Nationally this poses no problem - constant domestic price indices can be used. Regionally or globally a simple average of the national constant domestic price ones can be taken but not a convenient weighted one.

Improvements in estimation cause their own problems - they make previous year estimates **non-comparable** unless the previous years can be and are recalculated on the new basis which is rarely done for more than five years. Non-comparability also affects regional and global comparisons.

Given the caveats one might be tempted to abandon GDP - and its components. However, some index of overall output level and change is needed. Further, in practice no alternative single index is markedly better in terms of freedom from severe estimation problems and any cluster of indices both requires an overall output one and will include some indices which are at least as problematic and non-comparable as GDP.

POVERTY/HUMAN CONDITION INDICES AS COMPLEMENTS

If poverty reduction is a strategic goal data on poverty are needed. Among them are **indices relevant to designing, articulating and monitoring poverty reduction policy**.

In the context of SSA - with over 30% **absolutely poor** people (and 20% to 50% the main range of country estimates) a standard absolute personal poverty measure is needed. **Reasonably objective definitions are possible** (which is not the case with relative poverty). They are **not the same when converted into $** (or any other standard accounting unit) because of purchasing power parity differences, e.g. for a household of six they appear to be of the order of $60 in urban Ethiopia, $75 in Mozambique and Tanzania, $100 in Rwanda and $125 in Mali.

While the relevant basic unit is the household and the most practicable data collection route Household Surveys (not limited to household budgets) proper comparison requires at the least dealing in per capita consumption (or specifying household size for any $ amount). Optimally household size would be in terms of adult equivalents but in practice that is rarely a possible adjustment to make in SSA.

Other indices which can be available from a Household Survey include **% effective access to primary school, % effective access to (and also actual utilisation of) basic health services and pure water** with some uniform distance to facility/standpipe used to define effective access. **Life expectancy at birth** as well as **infant and under 5 mortality** can be estimated from Censuses and indices on small family farming household production from Agricultural

Censuses. **Nutrition data** - for adults as well as Under 5's - should be available from Ministry of Health "censuses" or monitoring services albeit that is currently more the exception than the rule. Ministry of Transport and of Commerce data should allow indices on **access to roads and to markets/merchants**.

A basket of indices including GDP, food production, access to and use of basic services, health and nutrition and access to transport and markets could be produced in most SSA states were it to be given priority - which to date it rarely is. That priority, however would only be sustainable if professional analysts and decision takers used the indices in strategic design, articulation and monitoring.

To achieve global or regional backing the indices would need to be relatively uniform - a task presumably in which UNECA and/or the ADB could and should take a lead and in which they should enlist the political support of the OAU. Whether such an initiative could be globalised probably depends on the evolution of UNDP and UNICEF thinking and prioritisation as to human development assessing statistical priorities.

Statistics are not inexpensive - in either fiscal or personnel terms. In most of Africa their **quality and quantity have been among the victims of crisis non coping**. Censuses and similar major surveys such as Agricultural Censuses and Household Surveys are not taken at regular decennial intervals (whereas before 1980 they appeared to be increasingly establishing themselves as regularly calendared events). When they are taken the quantity and quality of analysis is usually lower than twenty years ago. For example, in a number of cases implausible rises in population growth rates have appeared because comparability was low. The apparent 2.75%-3.25%-2.75% population growth shift in Tanzania 'shown' by the last three Censuses almost certainly relates to very limited adjustment of the 1977 one to deal with comparability problems.

One side effect of Structural Adjustment has been the rehabilitation of Statistical Services and the renewal of Censuses and Household Surveys. Given the gap between the emerging ones and the last previous ones (in one extreme case over 25 years, assuming Mozambique's Agricultural Census is held in 1997 or 1998), improving empirical knowledge of the recent past may not be practical but setting baselines and beginning a strengthening of indices and their use is.

To optimise such a rehabilitation and development process has at least three requirements which are easily overlooked:

a. identifying **main potential users** and **involving them in main Census and Survey design**. There is no reason to suppose that statisticians are experts on what questions and what data are relevant to - say - a Poverty Reduction Unit, just as the latter may not be expert at designing or operating large Surveys let alone Censuses;

b. identifying **existing** non-coordinated (in house) **sectoral data streams** which could be brought into mainstream statistical presentations, possibly with technical advice on design, collection and presentation;

c. **supplementing Censuses and Household Surveys**, which cannot be more frequent than over fifth year and probably every tenth for personnel and fiscal cost reasons, with **much smaller annual follow-up** surveys to avoid having to extrapolate for up to ten years on the basis of past structures and trends which may be changing;

d. setting sample size on the basis of the trade-offs among accuracy, cost and having **breakdowns for most indices to District and urban quarter or zone level** The last is a major desiderata for applied use - especially if planning is intended to become more flexible, contextual and decentralised.

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