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1 Revised Version

BOA

THE BANK, THE FUND AND ALTERNATIVES IN SSA:

Dialogue or Parallel Diatribes

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On a cloth untrue,  
With a twisted cue,  
And elliptical billiard balls.

- Gilbert and Sullivan

SAPs at the centre

The focus of both policy and academic debate in Sub-Saharan Africa has become Structural Adjustment and World Bank designed/influenced, led/approved and supported Structural Adjustment Programmes. At times it seems one can only proceed to look at a topic by approaching it through a link to SA, e.g. "Environment in the context of Structural Adjustment" or "The impact of Structural Adjustment on Women in SSA"!

This approach has some validity. Bank/Fund designed or otherwise, and whatever the wisdom of previous policies in very different global and national economic contexts, SSA economies have - with rare exceptions - faced mounting structural problems and mounting unsuccess in at least the first half of the 1980s to a degree requiring structural reformulation of strategy, policy, resource allocation and tactics. And (as Percy Mistry finally admits in his paper) the World Bank has achieved broad control over the use of most bilateral donors fund flows to Africa and allocates them on the basis of its perception of the quality of the recipient's Sappery (or Sapiousness?). In a context of

crippling loss of import "entitlements" (using the word in Sen's sense) SA does matter.

But much of the dialogue suffers from great fuzziness. The IMF and the Bank are conflated as are three fairly distinct stages in the Bank's SAP perception and praxis. Part of the reason is that the Fund and the Bank choose to differ as little as possible in public and that the Bank - while surprisingly willing to learn from experience and adjust course - it is rarely willing to admit publicly (much less in print) that it made a mistake so that the depth and extent of the changes are obscured. However, that hardly justifies the independent analysts who enhance the confusion - not least those of the UN Economic Commission for Africa and some of those prominent in the Institute for African Alternatives.

The Fund's operational model deals in monetary magnitudes, controlling (usually cutting) demand, a rather narrow array of macroeconomic instruments (especially exchange and interest rates and domestic credit formation) and is short term (1 to 3 years). The Bank's deals in real magnitudes, influencing production (usually enhancing), using a much wider array of macro and sectoral instruments and is medium to long term (3 to 12 years in SA). The divergences in approach are fundamental, the tensions virtually omnipresent and the agreements more cobbled compromises than sweeping syntheses. In SSA in the 1980s the Bank has assumed the lead role albeit tension persists since its perceptions on what prices are right, why and how to approach them are often rather different than those of the Fund which has bridgehead dominance on exchange rates.

A complex, moving process (or target)

Further, the Bank's SA approach has not been static. The 1981 Accelerated Development ("Berg Report") and 1989 Long Term Policy Study are very different. (Like all Bank - or other institutional committee - written documents they are also less than fully internally consistent!) The first is relatively close to the IMF model somewhat disaggregated sectorally and linked - tenuously - to real (physical) supply magnitudes. By 1985 the Bank had come to see that was not enough in practice and, more serious, was not an adequate strategic formulation. Ghana's 1985 launching of major education, health and social components (PAMSCAD) with Bank acceptance and reformulation of what was basically a Ghana/UNICEF initiative, marked a sea change which has influenced most subsequent SAPs. LTPS provides a more elegant strategic justification in terms of human investment/productivity and human/welfare basic needs. It openly says putting Robert Macnamara's war against absolute poverty on hold from 1981 until 1988-89 was a mistake contributing to "the lost decade" in Africa. The renewed stress on basic needs and "eradicating" absolute poverty is underlined by the 1990 World Development Report whose title and key issue theme is Poverty.

But even more crucial than failing to grasp the complexity and changeability of SA (a rather crucial point in advising SAP negotiators as to their degrees of freedom), SAP centred dialogues or diatribes represent a defensive, reactive, dependent approach. Even efforts at African analysed/African based proposals tend to be in terms such as African Alternatives To Structural Adjustment Programmes (The UN Economic Commission for Africa's AFSAP, a seminal contribution to the

dialogue which - intriguingly and invisibly to ECA - is 95 per cent compatible with the Bank's LTPS).

#### IFAA - The Achievement and its limits

IFAA - founded in 'exile' in London with chapters in Africa, now 'returned home' to Johannesburg - is a major contributor to the dialogue. Its form and contributors have - by and large - been serious. It is committed to open discourse among people of varied views (as the present triad of papers illustrates). There is no doubt that it has raised its depth, quality and clarity. And yet.... IFAA illustrates all of the weakness, simplistic conflation and intellectual dependence in the sense of starting from the Bank's premises and agenda (even if to criticise them) rather than an independent one. Too often its intellectual and institutional opponents have given it rather patronising praise implying any serious African intellectual discussion was a surprise to be patted on the head. It is perhaps time its friends who agree with much of its arguments, and who believe with Pliny the Elder, "Out of Africa there is something new", criticised it for not setting and achieving higher standards of clarity precision and contextually grounded originality. Doubtless IFAA lacks the finance, the data access and the sheer numbers of professionals of the Bank and its academic outriders. But it also is free from the institutional necessity of writing "apologia pro vita sua" and of insisting on the past success of a steadily adjusting adjustment prescription both to assist in selling it in Africa and in mobilising funds abroad and - unlike the Bank - its core participants are grounded in and know the SSA context personally and in detail.

The IMF and SA or How Can the New SA Use the Bank?

The first paper considered here - What Has The IMF In Store For South Africa? - illustrates those points. Surely "Growth and Redistribution in the New South Africa: What Roles for the Bank and Fund? would have been a superior starting point? And Kevin Davie of the South African business community and Ketso Gordhan of the African National Congress - both writing as individuals - do, in fact, pursue that reformulation. While both underestimate how structurally sick RSA's economy is and they respectively overstress areas of agreement and disagreement (at least at medium term operational level), they do show that a genuine internal basis for dialogue and policy reconciliation exists.

Ben Turok (IFAA's Director) is not at his best because his piece does conflate Fund and Bank. Thus it fails to note it is very much in the New South Africa's interests to be seen as an SSA lower middle income economy whose main partner will be the Bank not a middle income LA clone in respect to which the Bank would play a supporting role to the Fund.

Ben Magubane - in a trenchant forewarning of the pitfalls in Zimbabwe's shift of strategy, which have since been fallen into - fails either to perceive what Zimbabwe's basic economic problem as of 1989 was or to mention its chief cause. Zimbabwe in the 1980s had a creditable growth record - over 4 per cent a year - but a very low investment rate. As of 1989 it was nearing capacity constraints. And the basic economic 'inefficiency' in Southern Africa over 1981-89 has been the economic and military war RSA has waged against its neighbours. Amazingly - despite about \$60,000 million costs to the 10 SADCC States and perhaps \$30,000 million in lost GDP to RSA - none of the contributors even

mention this factor. Even the Bank - while ill at east with such an element - now recognises its significance.

### Can the Bank Play What Roles Better?

Percy Mistry's, The Present Role Of The World Bank In Africa

illustrates IFAA's strength and its commitment to open discourse.

Mistry is a former World Banker who was self critical then, and now as an academic can reflect more deeply and openly. He is, perhaps, an outstanding example of informed (and often far-reaching) criticism from a perspective of the Bank in Africa. (The present reviewer's stance is an Africa centred one on African realities and goals in relation to the Bank.) Ironically he poses contextual (African) issues and the Bank's limited ability, to date, to handle them well, rather more clearly than many of the less sympathetic critics.

In certain respects he may be too hard on the Bank. It's supposed role as a debt collector is rather dubious given its leadership in pushing for SSA low income economy debt write-offs from 1985 to date. So too if 60 per cent of its SSA projects have 15 per cent return rates this is low versus 80 per cent in other regions but high vis-à-vis bilateral or national project averages.

Mistry accepts four key weaknesses of SAPs to date:

1. they are not contextual enough
2. agreement on goals papers over disagreement on means and timing
3. SAPs do not raise growth rates to sustainably high levels and are particularly weak at raising domestic savings rates

4. the Bank has a distinct tendency to arrogance (or Platonic Guardianship) causing it to undervalue domestic input and national (or other) alternative proposals.

However, Mistry argues that the Bank's ideological fixation on privatisation diverges from a more pragmatic practice and that the latter has become increasingly flexible since the high noon of the Reagan/Thatcher era. Would it were so.

The point Mistry makes that the Bank is a good servant but a bad master and is most effective when confronted by a coherent intellectual and factual position from a country with some room for manoeuvre is very true. However, only the first condition - an area in which reactive critiques are not enough - is within the ability of most SSA states to meet. The Bank is well aware that its ideas "win" because they are backed by resources which are badly needed and not available from other sources and is fairly open in agreeing it uses that power.

#### Inside Out - And Upside Down?

Michael Irwin's Inside The World Bank is disappointing. It never rises above the level of second rate participatory investigative journalism and often falls below that. The author's sincerity and anger are clear enough but appear to have driven out both analysis and sense of proportion. More could have been expected from an Acting Vice-President who resigned on principle.

Using constant prices the Bank's reorganisation did work in its own terms. Administrative costs were \$50 million lower and real lending per employee 8 per cent higher on Irwin's only 1987-90 figures. A much

more serious question is whether those should have been key goals or whether the inadequate training strategy, the falling proportion of senior staff with 'real world' operational experience and the glaring gaps in some fields, e.g. agriculture and institutional/operational public finance, were (and are) not more serious problems.

That the Bank, like other large bodies, has wastes (combined with overskipping elsewhere) is well known as is its tendency to excessive formalism. Irritating as these facets are, how crucial are they?

His comments on arrogance are to a real point but perhaps miss a more basic one. The Bank does learn from experience but rarely admits error, therefore it remains sure, it is at any given time right, and therefore frequently believes that alternative floaters as well as critics are bores to be tolerated. That is a serious substantive weakness more damaging than an arrogant style. Similarly, the problem on information secrecy is not, in practice, that it is all that hard to secure large quantities of information. Rather it is that it comes on a "grace and favour", not a "right to know" basis and thus tends to soften many recipients' tones in a way that would not happen if the Bank had a "Freedom of Information" Act.