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Can Africa claim the 21st century?' A World Bank publication, May 2000. Review and comments

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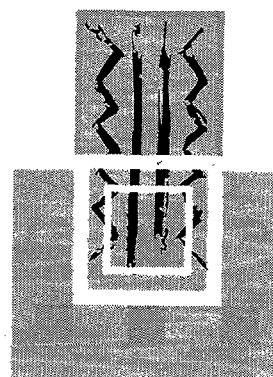
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Can Africa claim the 21st century?

A World Bank publication; May 2000

Review and comments by the
African Studies Centre,
Leiden



Afrika
Studie
centrum

Can Africa Claim the 21st Century?

A World Bank publication; May 2000 Washington D.C.

A review provided by staff of the African Studies Centre, Leiden.

Introduction

This review of the World Bank's latest report on Africa provides critical comments by ASC research staff representing different academic disciplines.¹

It has 3 sections. Section 1 summarizes the Bank's *appraisal* of Africa's past and current developments. In section 2 the Bank's proposed *remedial* strategies and the conditions that need to be met if Africa is 'to claim the 21st century' are outlined.

Section 3 contains critical observations provided by ASC staff.

1. Africa's performance: The Bank's appraisal²

Introduction

This latest World Bank report on Africa is a product of 'the growing collaboration among some of the main institutions involved in African development: The African Development Bank, the African Economic Research Consortium, the Global Coalition for Africa, the United Nations Economic Commission for Africa and the World Bank' (report's back page). This apparently suggests that the Bank has incorporated a wide range of (African) views in this report and thus cannot be accused of having confined its scope to a mere World Bank desk perspective.

Economic and social decay

The report begins with a review of the many distressing trends in sub-Saharan Africa's (SSA) major economic and social indicators. Based on an already extremely low level of total GDP income (not much more than that of Belgium),³ per capita output was lower at the close of the 20th century than it was 30 years ago in the 1970s. The

¹ The three research staff include Deborah Bryceson (economic geographer), Jan Abbink (anthropologist) and Henk Meilink (economist).

² Text: Henk Meilink.

³ The median GDP of the 48 SSA countries amounts to only \$2 billion which equates to the output of a town of 60,000 inhabitants in a rich country. This implicitly means that the size of many individual country's local markets is 'uneconomically limited'. Hence the Bank supports 'regional economic integration' initiatives on the African continent, as expressed in Chapter 7.

number of poor people has grown relentlessly (more than 40% of its population of 600 million now live below the internationally recognized poverty line of \$1 a day) and caused SSA's share of the world's absolute poor to increase from 25% to 30% during the 1990s. The Bank notes that much of this development is the product of growing income inequality, uneven access to resources, social exclusion and insecurity (p.10). Growing poverty is also reflected in the trends of the health and educational indicators: in many countries 200 out of every 1,000 children die before the age of five. More than 250 million people lack access to safe water and more than 200 million do not have access to basic health services. Furthermore the devastating impact of the HIV/AIDS crisis is expected to reduce life expectancy by up to 20 years from today's modest levels and to dramatically increase the number of AIDS orphans in the most afflicted countries.

On the education front, trends have been similarly adverse. More than 140 million youth are illiterate and less than one quarter of poor rural females attend primary school. Government spending on education in poor African countries averages less than \$50 per capita per year compared to \$11,000 in rich countries such as France and the United States.

Focusing on the macro-economic indicators, trends are likewise disappointing. Africa's share in world trade has fallen to less than 2% and the continent continues to be largely an exporter of primary products as was the case three decades ago. In the 1970-1993 period this led to a staggering annual income loss of \$68 billion (amounting to 21% of the continent's GDP). In contrast to other developing regions, investment and savings levels per capita have further declined and are now far below the required level for a renewal of economic growth. Low savings have been compounded by rapid population growth (3%) and continued environmental degradation. Fiscal revenues per capita in real terms at the end of the 1990s were smaller than in the late 1960s for many African governments.

African economies have also remained highly aid-dependent and deeply indebted. In the average African country official aid flows represent about 10% of GDP equivalent to almost 50% of public spending. And the debt burden has now accumulated to around 100% of GDP in net present value terms (p.9).

Political changes

All these worrying economic and social trends coincided with turbulent changes in Africa's political landscape.

Since 1980 the role of the state in African economies has radically changed. Forced by serious balance of payment crises and accumulating external debts, African governments had no alternative but to accept the introduction of 'structural adjustment programs' (SAPs) designed by the World Bank and the IMF. Deregulation,

liberalization and privatization were the key concepts guiding these SAPs. The adjustment policies abruptly brought an end to the extensive and highly politically-driven intervention actions of African governments. The new role for the state was scaled down to one of creating 'an enabling environment' conducive to mobilizing private sector enterprise.

By the end of the 1980s the reduced economic role of African governments was followed by political reforms away from the single-party political system under the leadership of authoritarian African leaders and towards the introduction of the principles of democratic structures based on multiparty representation. At the end of the 1990s in 42 of the 48 SSA states multiparty presidential or parliamentary elections had been held (albeit with varying degrees of 'fairness credibility').

However on the negative side also many countries fell victim in the 1990s to numerous violent internal conflicts and serious processes of state disintegration and lawlessness. The report notes that in 1999 20% of the African population lived in countries severely disrupted by war or civil conflict. These countries include Burundi, the Democratic Republic of Congo, Guinea-Bissau, Liberia, Sierra Leone, Angola, Somalia, Sudan, Ethiopia and Eritrea.

Africa's crisis explained

Importantly, the Bank rejects the widely held view that civil conflicts are primarily caused by the phenomenon of African tribalism fueled by the numerous ethnic and religious cleavages prevailing on the continent. In contrast the report states that: 'ethnic diversity is a deterrent rather than a cause of civil war'(p.60).

Its alternative explanation suggests that a combination of poverty, unemployment (especially among Africa's youth) and processes of political exclusion is the root cause of civil conflict (p.49). The report stresses that in the past 'highly centralized African governance systems' in which governments were solely accountable to narrow interest groups have contributed to the marginalization of large parts of their populations (p.58). In the emerging socially fractionalized societies (with widespread gender inequality in access to productive resources), many are excluded from fundamental political rights and civil liberties and are denied participation in productive economic activities. Combined with an associated increase in poverty, this has developed into an explosive vicious circle of conflict, poverty and exclusionary politics (p.58).

Africa's *economic* crisis is explained by a host of interacting factors. Part of the slow growth is attributable to the fact that investment tends to be more costly in Africa compared to other developing regions. Furthermore the productivity of investments is extremely low amounting to only half the level achieved in Asia. Negative external trade performances also loom large in explaining low growth rates. The large reduction

in Africa's share in world trade represents a high annual income loss of \$68 billion during the 1970-1993 period (p.20). Worsening terms of trade, especially for non-oil exporting countries, also contributed largely to the loss of income. Cumulative losses during 1970-1997 amounted to a staggering 120% of SSA's GDP. In contrast, Africa's oil exporters could have benefited from significant terms of trade gains. But unfortunately these countries failed to transform these gains into productive investment which could have placed them on the path to sustainable growth.⁴

Other explanatory factors discussed by the Bank are geographical: the high number of landlocked countries on the African continent and the spatial distribution of African populations. Demographic characteristics such as high dependence ratios, low life expectancy, low population densities and high population growth rates help to provide an explanation as well as other factors including the small market size of many African countries, their concentration on a limited range of primary export commodities and their high aid dependence.

However the Bank in a traditional vein puts much of the blame for Africa's slow economic growth on the undermining, counterproductive policies pursued by African governments especially during the 1970s. These policies have involved 'extensive and arbitrary regulation and frequently the prohibition of trade and have heavily taxed the agricultural sector' (p.25). Trade and exchange rate policies have equally discouraged exports and encouraged local firms 'to produce under noncompetitive conditions for small, captured domestic markets, undermining the basis for industrial growth' (p.26).

Many of these dismal policies were rectified by the 'structural adjustment programmes' embarked upon since 1980. Fiscal deficits and inflation rates have dropped significantly and many countries have succeeded in broadening their tax base (mostly value added taxes), while at the same time curbing their budget expenditures. Most prices have been decontrolled and are now market-determined. Many marketing boards have been eliminated and international trade taxes have been 'rationalized from high and arbitrary levels' (p.31). There has also been more space for private sector initiative. In politically and economically stable countries private investment and business networks have grown as well as foreign direct investment. New inroads into financing and infrastructural services (telephone, railways, water and roads) have occurred. Especially during the 1994-1998 period, SSA witnessed improved performance in all indicators. GDP output, agriculture and exports grew rapidly and well above previous levels.

⁴ Somewhat ironically the Bank notes that 'excessively positive shocks can destabilize development as much as negative ones' (p.21).

Unfortunately this upsurge came to an end in 1998 when African countries were exposed to the direct consequences of the East Asian crisis and suffered sharp declines in their export commodity prices. In 1999 and 2000 growth has somewhat resumed.

Although the Bank recognizes the methodological hurdles involved in evaluating the *effects* of structural adjustment, the report concludes that 'good economic management and sound policies pay off in the medium term' (p.35). Furthermore avoidance of political conflict has also proved to be critical in accelerating economic growth.

Having said this, the Bank does not shy away from emphasizing some of the difficult legacies (called 'hysteresis effects') left by the long period of macro-economic adjustment. Unfortunately the list is long: a substantial deterioration in the quality of public institutions; demoralization among public servants; a decline in the effectiveness of service delivery; falling social indicators and a loss of human capital; underspending in sector and program budgets leaving programs performing poorly ; intrusive donor conditionality and external shaping of reforms which 'weakened internal capacity for economic management and reduced African governments' sense of ownership and accountability for economic outcomes' (p.37). Government-donor arrangements also had the serious effect of eroding the role of representative institutions such as parliaments and undermined their legislative and budgetary functions.

Before turning to its 'agenda for the future', the Bank, in a somewhat overoptimistic mood, concludes that 'a fragile consensus between Africa and its donors has emerged' (p.38). Both partners in development, African governments and donors,⁵ have learned their lessons. There is a greater understanding of the need for a stable macro economy in Africa, for working markets, for private initiative and for increased African competitiveness in global markets. Donors on their part have realized 'the limits of a narrow macro-economic approach and understood that 'market-driven development cannot succeed without a strong social and institutional infrastructure - including a strong and capable state - and without active measures to alleviate severe poverty and raise the capacity of the population' (p.38).

⁵ Presumably including the World Bank itself?

3. Critical observations by ASC staff

This section brings together points of criticism provided by three research staff members of the African Studies Centre. Each has selected a number of chapters for review. All reviews combined cover all 8 chapters of the report. The structure of this section is as follows: firstly brief summaries of comments of each contributor are presented. These are followed by the presentation of the full text contributions in separate appendices.

SUMMARY OF D. BRYCESON'S⁸ COMMENTS

(covering Chapters 1, 4 and 6)

- The following comments are directed at assessing the robustness of the World Bank's analysis of the current situation in sub-Saharan Africa and the feasibility of its policy recommendations.

Chapter 1: Can Africa Claim the 21st Century?

- The World Bank is in the process of changing its position on a number of key issues that have underpinned its reform programme since the early 1980s:

- The World Bank has replaced its traditional three-sectoral approach (modern formal urban sector, informal urban sector, and peasant rural sector) by a more atomistic agency approach with overlapping actor categories: 1) government, 2) civil society, 3) the poor, and 4) producers, donors and foreign investors.

- The long-lasting view that African peasant farmers can compete in the global markets is now being questioned. Emphasis on the need to boost African exports leaves 'African exports' largely unspecified and the response of African peasants to supposed reform incentives is not mentioned. Peasant smallholders have largely dropped out of the development equation and have been replaced with vaguely denoted 'rural producers', who could be highly capitalised large-scale farmers as well as impoverished smallholders.

⁸ For the full text of Bryceson's comments, see Appendix A.

- The Bank has moved to recognising that in the process of liberalising local markets there have been 'winners' and 'losers'. Essentially the World Bank's current emphasis on poverty alleviation is to shore up the short-term losers who have lost income or livelihood by virtue of market competition and economic restructuring. However the Bank avoids identifying the reform programmes with widespread poverty expansion.
 - More than previous World Bank policy statements on Africa, this report acknowledges the role of world market's economic shocks as causes of setbacks in African national economies. Thus the Bank's exhortation to African policy makers to diversify their economies thereby immunising themselves from such shocks.
 - As to the effects of structural adjustment measures the Bank avoids straightforward responsibility by introducing the obscure, catch-all phrase of 'hysteresis effects' meaning the working of adverse factors related to on-going historical legacies that can not easily be reversed. In this way some of the critique of SAPs is taken on board without any admission of SAP's inadequacies.
 - Another change in the Bank's logic is the revaluation of urban areas that were previously cast as 'havens for corrupt and rent-seeking African government officials'. Now the potential economic catalyzing influence of these areas is acknowledged and linked to the role of an entrepreneurial business class.
 - The World Bank (now retreating from an extreme anti-government position) shows a more supportive attitude towards African governments' coordinating and infrastructural provisioning tasks.
 - The bulk of Africa's population, the rural smallholders, have lost explicit policy attention and are transferred to the ranks of the 'poor' where their welfare cause can be addressed in terms of 'investing in people'.
- Overall, there is a great deal of analytical fudging. The text does not convey a sense of African economies' overall structure. Policy recommendations are not contextualised within some notion of an overall operational economic order.
 - During the past two decades of structural adjustment and liberalisation policies, the African continent has experienced: a squeeze on its share in world trade to an almost negligible amount, a skyrocketing external debt and escalating poverty. However the Bank's own role in these tendencies is avoided. The internet debate on the *World*

Development Report 2000-01 has rightly questioned the accountability of the World Bank itself, as Africa's main policy-setting agency.

Chapter 4: Investing in People

- The Bank fails to address the *causes* of the current 'human development crisis'. Despite widespread evidence of the systematic run-down of social services connected with the implementation of SAPs (documented by international NGOs like Oxfam and HIVOS CHECK), the World Bank circumvents the issue. Direct discussion of the impact of SAPs on Africa's social service infrastructure (education and health in particular) is avoided. The Bank does not allude to the widely held opinion that 20 years of Bank-enforced policies have engendered educational deprivation and declining health standards with escalating infant mortality and general morbidity and mortality. These trends contrast with that of the 1960s and 1970s, when post-colonial governments made considerable strides in lowering infant mortality rates and raising general health standards in rural and urban areas.
- Instead the Bank proceeds to announce incredibly ambitious goals for 2015 in the fields of public health and mass education. The question of the funding and implementation of these goals are left hanging, with a vague call for 'decentralisation' and reliance on private and community initiatives.
- The report does not acknowledge that, in addition to the underfunding and collapse of educational and health services, the human development crisis is related to far-reaching shifts in rural and urban livelihood. As DGIS-funded research at the African Studies Centre has shown, the need for African households to diversify their incomes and seek income-generating activities outside of agriculture given declining returns to peasant agricultural production has led to children's earnings becoming indispensable in many households. Not surprisingly, school enrolments are declining as school fees become unaffordable and children become more active in the labour force. Furthermore, studies suggest that the growing importance of alcohol production as a ready form of income-earning, has led to rising alcohol consumption abuse and associated feelings of demoralisation. The possible link of alcohol abuse in the heavy-drinking cultures of southern Africa with the high incidence of HIV/AIDS incidence should not be overlooked.

Chapter 6: Spurring Agricultural and Rural Development

- In the chapter on 'agricultural and rural development', the Bank no longer portrays the African smallholder as 'the engine of growth' as it did in previous reports. It is inferred that African undercapitalised peasants cannot compete against European and

North American highly capitalised (and subsidized) farmers. However again the far-reaching effect of SAPs on African peasant smallholders is glossed over.

- Distinctions between different types of agricultural producers are foresaken in the report. Smallholders and 'agroindustry' are simply lumped together without explanation. Therefore the claim that 'recent reforms have improved agricultural price incentives' can be ambiguously understood as large-scale agro-industrialists having responded to price incentives. But the reforms have had an adverse effect on smallholder peasants. Their agricultural production is increasingly unremunerative. Dismantled parastatal marketing boards and their replacement by private traders confronted peasant farmers with a more insecure market environment, widely fluctuating producer prices, rocketing input prices and tenuous input supply. This coincided with the increased cash requirements under the economic stringency of SAPs.

- The Bank correctly documents the tendency for grain producer prices and urban consumer prices to have declined within the liberalised markets. However this recognition is in sharp contrast to the original stated expected reform outcome of increased farmer prices as a result of the removal of exploitative government marketing boards. Again there is no outright acknowledgment by the Bank of this misjudged outcome.

- In earlier Bank reports the role of non-traditional export crops, in particular horticultural products, in reviving African agriculture was stressed. In this report this strategy has been abandoned perhaps because of its infeasibility for the majority of small peasant producers who lack the technological and organisational capacities to adhere to highly standardized product output and the need for strictly scheduled (often refrigerated) delivery of produce to international airports.

- Concern for the fate of smallholder peasants under SAP and economic liberalisation is conspicuously absent in this report. Their flight from agriculture into the low paid informal sector (deagrarianisation) is simply ignored. It seems that the economic prospects of masses of African peasant farmers and their agrarian labour redundancy are quietly being swept out of view.

Overall Comments on the Report

- This document represents the culmination of years of World Bank's neglect of rigorous research on actual economic and social trends on the African continent. During the past two decades, World Bank's analytical attention has been primarily directed at assessing the degree to which African countries' are conforming to market-led growth theory and models, rather than documenting what is actually happening to people's patterns of production and welfare.
- The World Bank's current realisation and hesitant admission that something is wrong and that African welfare is seriously jeopardized is tainted by a 'face-saving' effort to gloss over the record of ineffectiveness of World Bank policies in sub-Saharan Africa over the last two decades. Now, as evidenced in this report, the Bank has hastily constructed a humanitarian concern for the poor which, in the absence of economic policies that genuinely address the livelihood needs of the poor, is likely to cause the proliferation not the contraction of their numbers.

Summary of J. Abbink⁹ comments

(covering Chapters 1-4 and 8).

- The approach of the report is comprehensive and ambitious. In its quest for answers to the question why Africa 'lagged behind' a large number of economical and developmental factors that impinge upon Africa and explain its long period of crisis are being reviewed.
- However, due to this ambitious scope the report suffers from a high level of generalization and a highly prescriptive tone. There is a great deal of 'ought', 'should' and 'need to'-clauses demanding an almost impossible 'reform agenda' for African countries.
- Unfortunately, in evaluating Africa's past performance the WB specifically relies on WB 'in-house', economically-oriented documents, largely by-passing many available non-economic studies. There are few references or acknowledgements to scholarly work undertaken outside the W.B. research framework. This does not tally with the suggested 'holistic' approach in this report of the need to incorporate issues of politics and 'civil society'.

⁹ For the full text of Abbink's comments see Appendix B.

- Moreover, in evaluating Africa's conditions, a critical assessment of the role of the Bank *itself* is virtually absent. For example, the Bank should have devoted more space to an explicit discussion of its policy impact on 'Structural Adjustment Programmes', its policies towards agriculture, and towards 'African governance'. In particular the Bank could have been more self-critical in admitting that its current remarkable reappraisal of the state (advocating the necessity for 'strong African states') stands in sharp contrast to its previous insistence on 'reducing the role of the state and make more room for market forces and private initiatives'. SAPs may have led to macro-economic improvements but the Bank should acknowledge that these gains have come at the price of blighting the social service sector, health care and education, and the state institutional structures themselves. Macro-economic winnings are also associated with a loss of trained personnel and staff from the state and to a general undermining of public trust in, and legitimacy of, the African state. In short, macro-economic success may have come bouncing back at an even greater social cost. Nowhere in the report there is a trace of acknowledging some WB responsibility for these developments.

- The Bank's favorable account of political liberalization processes with increased democratic participation of diverse groups and increased pressure for government accountability and better economic management is laudable. The end of the Cold War may also have reduced political global rivalry. However, what is ignored is that these trends are reversible, and often compromised by the ambivalent policies of donor countries in their relations with Africa. An example are the blatant mistakes of the international donor community vis-à-vis the so-called 'new leaders', who became embroiled in destructive wars (Eritrea versus Ethiopia, Uganda in DR Congo). The WB and other donors often do not foresee the problems of undemocratic regimes of questionable legitimacy because they do not make an appropriate analysis of the political dynamics and system of governance of these regimes.

- Among the numerous required political reforms enhancing good governance, civil service efficiency, commitment and efficient budgeting, the new catchword is *decentralization* (strengthening local government institutions). However, a critical assessment lacks of the meaning of this term and of the actual workings of African politics as rooted in society and constrained by historical and cultural factors mediating 'power', redistribution of resources and elite politics.

- The core issue of current WB policy is poverty reduction. Basically, this is to be achieved by faster economic growth and employment creation, together with a reduction in inequality. The approach, however, is characterized by a high level of abstraction and normative thinking. What is lacking is a more detailed analysis of the

emerging patterns of labour migration and the alternative employment strategies pursued by the poor themselves. Moreover, African governments' commitment to a poverty reduction strategy is highly overrated.

- The Bank stresses that an essential ingredient to combat poverty and exclusion is to invest in health and education services. Proposals are made to improve the 'service delivery mechanisms'. A key word again is 'decentralization'. The required strong commitment on the part of African governments is again conveniently assumed. This is highly unlikely in the light of the impact that past WB/IMF policies had on African state budgets, in particular the concomitant declines in the provision of health and education services.

- In the last chapter, on aid dependency, debt and international 'partnership', there is a critical discussion of donor dominance and self-interest, which have inhibited local initiative and choice, capacity building, ownership and transparency. The report rightly pleads for a more equal partnership between donors and recipients. But how do these principles relate to the almost unilaterally set WB-IMF conditions of 'good governance' and a proven commitment to political reforms (democratization) which are so prominently emphasised in Chapter 2 of the report?

Summary of H. Meilink's comments

(Overall + Chapters 5 and 7)

- The report represents an admirable effort to highlight the numerous economic, political, socio-cultural and historical factors that are shaping Africa's current position. It examines the continent's prospects and conditions for positive change in a holistic methodological approach

- Compared to previous World Bank reports on Africa there is a remarkable shift from the traditional emphasis on macro-economic technicalities to political issues and themes of 'good governance', civil society, strong African states, and civil liberties and rights. Although discussion of the latter topics were not absent in previous reports, the chapter structure and sequence of themes discussed in this report testifies to the fact that the W.B. is now clearly prioritizing the importance of addressing political and governance factors.

- It is also laudable that in its detailed search for explanations of Africa's persistent crisis, the traditional downplaying of such factors as colonialism, the world market price shocks and the declining trend in Africa's terms of trade have been reconsidered and are now accepted as formidable obstacles to development which are largely beyond the control of incumbent African governments.

- The report acknowledges that 20 years of 'structural adjustment programmes' in Africa have not prevented a dramatic decline in basic education, health and poverty indicators (p.37, 105 and 109). But the Bank is conspicuously reluctant to admit the existence of a causal link between W.B. and IMF reform programs and this dismal indicator performance. Therefore there is no tendency to accept a shared responsibility, together with failing African governments, for the crisis. The Bank should be more 'accountable' (a condition it imposes on African governments)¹⁰ and openly face the negative effects of SAPs such as drastic cuts in government expenditure, a massive entrenchment of civil servants, the removal of agricultural input subsidies and rapid import trade liberalization.

- The Bank adopts a defensive stance by proclaiming that SAPs in Africa have positively affected poverty: 'many poor groups - those linked to markets and public services - have benefited from the reforms and economic recovery of the 1990s' (p.95). However the evidence as yet is thin and fragmentary. How SAPs have impacted on poor population groups is a critical but difficult question which continues to be the subject of intense academic debate. Methodologies and frameworks available for analysing this relationship (usually 'computable equilibrium models' and 'social accounting matrixes') are beset with methodological flaws. For this reason some researchers¹¹ have argued that a positive conclusion is largely derived from the theoretical assumptions made about parameters, relationships and closure in the models rather than derived from empirical verification. They show that the actual experience of the poor differs from that predicted by the models. Others have stressed that there can be no definitive conclusion due to the complexity of the poverty problem.¹² There is no single class of the poor in Africa. Diverse poverty groups participate differently in the economy and hence are differently affected by a particular reform measure. Most reform measures are bound to benefit some groups and harm others. An example is the effect of a devaluation. Cash crop farmers and landless labourers may benefit as producer prices and cash crop employment tend to rise. But the poor living in urban

¹⁰ See N. Woods, (2000) "The Challenge of Good Governance for the IMF and the World Bank Themselves", in *World Development*, Vol. 28, No. 5, May.

¹¹ Lorenzo de Maio, Francis Stewart & Rolph van der Hoeven (1999) "Computable General Equilibrium Models and the Poor in Africa", in *World Development*, Vol. 27, No. 3, pp. 453-470.

¹² See Tony Killick, "Making Adjustment Work for the Poor", ODI Poverty Briefing, No. 5, May 1999.

areas may be expected to suffer from the inflationary effects (a rise in the cost of living index) induced by the devaluation measure. The effect on rural residents is also ambivalent depending on whether they are net buyers or net sellers of food. Net consumers of food will be confronted with food price increases while those who are net (market) producers may benefit. To make things even more complicated, groups may change position during the agricultural season (due to seasonal fluctuations in rainfall determined output). Moreover households often have a foot in both rural and urban economies. In the face of these analytical difficulties one must be reluctant to draw firm general conclusions. Only detailed individual country case studies can provide more decisive answers.

- In setting out the requisites for 'good governance', the report rightly emphasizes the essence of the rule of law and the enforcement of transaction contracts. Conformity to formal rules - rather than reliance on patron-client networks - should prevail. But the report's trust that 'legal reform has become a priority in many countries' (p.71) is overindulgent and naive wishful thinking.

- This naive approach is also manifest in the Bank's plea for a decentralized delivery of human development services. Decentralized delivery systems 'focusing on the local community and local school or health facility is key to effective service delivery' (p.126). The basic idea is 'to get resources to where they are most needed and putting them under control of the immediate beneficiaries. This may include decentralization to autonomous schools and health centers, and much greater reliance on nongovernmental organizations and other private organizations' (p.127). The assertion that 'general political commitment to human development is already in place in most African countries' (p.124) is overoptimistic. Past experiences with local government and district planning schemes (e.g. in Kenya) are far from encouraging. Local authorities have often proved to be ineffective, corrupt and unresponsive to local needs. Moreover it is unrealistic to expect highly centralized African governments to voluntarily devolve power and funds to lower echelons of government and to autonomous community institutions.

Donor pressure on African governments to seriously develop pro-poor policies (e.g. within a debt cancelling scheme) might be more effective. However if one tends to agree with the Bank that 'conditionality has only been effective in bringing about lasting reform when there has been a strong domestic movement of change' (p.180), the donor focus should then shift to assisting the rural poor to organize and empower themselves to such a degree that the political elite can no longer ignore their needs.

• A final comment relates to Africa's future place in the world economy. The report states that 'to succeed in the 21st century, Africa has to become a full partner in the global economy' (p.208). To enhance this integration process the Bank suggests a strategy of diversifying Africa's exports and deepening regional integration. Few would disagree with the Bank that Africa needs to diversify its production and export structures. Africa's extremely high dependence on a few traditional primary exports showing structural price declines on world markets is definitely a blind road. Fortunately a number of countries with improved economic management show encouraging growth in nontraditional agricultural exports (e.g. horticulture), labor-intensive manufacturing and services (e.g. tourism).

But there is a need to temper the Bank's high expectations and prevent future frustration because markets for these new products tend to be quickly saturated and competition from other developing regions, such as South-East Asia, is becoming even fiercer.

Integration in the global economy might also offer less evident gains than expected. In the last decade the strengthening of a few powerful regional trading blocs (NAFTA in North America, AFTA in Asia and the enlarged European market) and the further liberalization of international trade regimes under WTO guidance have presented formidable threats to Africa's trade prospects. Given these new global realities it is likely that Africa will quickly lose its EU tariff concessions now granted under the 'Lome Conventions'. Already the more productive and thus more competitive Newly Industrializing Countries (NIC's) in Asia are squeezing African exporters out of EU markets. Some studies¹³ estimating the gains and losses emanating from further global trade liberalization conclude that, with freer trade, Africa stands to lose not gain in export revenues. This loss of export earnings is due mainly to preferential tariff erosion. Other studies however calculate a global gain of \$195 billion resulting from a 50% reduction in worldwide trade restrictions. Developed countries capture the major share of this gain (about \$145 billion) and developing countries as a group could expect to see their exports grow by roughly \$50 billion, of which Africa would reap only \$2 billion, a modest 1% of the total global gain. If these estimates are correct, Africa will be even more marginalized in the global economy. Indeed the only option to halt this dramatic trend is to form strong subregional economic groupings. There are promising signs in Africa of a renewed commitment to the case of regional integration but expectations should not be overstressed. Ending protectionist policies in industrial countries, for example the removal of the \$300 billion subsidies to farmers of the rich OECD countries (which equals Africa's total GDP !), would make a big difference.

¹³ See Meilink, H & Konings, P.(1998) "Regional Economic Integration in sub-Saharan Africa", in : Fernandez Jilberto, A. & Mommen, A. (eds.) *Regionalization and Globalization in the Modern World Economy*, London: Routledge, pp.128-146.

Appendix A

REVIEW OF: WORLD BANK 2000, *CAN AFRICA CLAIM THE 21ST CENTURY?*

Deborah Fahy Bryceson

As the title suggests, *Can Africa Claim the 21st Century* is a policy rallying call for economic reform on the African continent, the most recent in a long line of World Bank policy review statements on African economic performance.¹⁴ This one, however, comes at a time when the World Bank is itself in a defensive position. From both the right and the left, the role of the World Bank in the global economy is being debated in Washington's corridors of power and within the world's most powerful decision-making circles.¹⁵ Over the past five years NGOs as well as some of the World Bank's own non-economist staff have questioned the hegemonic position and neo-liberal orthodoxy of World Bank economists (Fox 1998).¹⁶ The Seattle riots of November 1999 protesting the WTO's role in the globalisation process signalled the growing awareness and unease of the general public about international financial institutions' economic liberalisation policies.

The year 2000 has seen a considerable public relations effort on the part of the World Bank to project itself as a champion of the needs of the poor.¹⁷ The World Bank's President, James Wolfensohn, has personally invested time and effort in this charm offensive, supporting a more open democratic forum for the exchange of views. To this end an internet debate on the draft of the World Development Report 2000-01 was conducted in February and March of this year. The outcome of this was more than the World Bank's public relations advisers may have bargained for. Cyberspace saw an avalanche of criticism against the World Bank's policies in developing countries, particularly with respect to globalisation.¹⁸

¹⁴ Year of publication and title of World Bank key policy documents related to Africa are: 1981, *Accelerated Development in Sub-Saharan Africa* (commonly referred to as the Berg Report); 1984, *Toward Sustained Development in Sub-Saharan Africa*; 1989, *Sub-Saharan Africa: From Crises to Sustainable Growth: A Long-Term Perspective*; 1994, *Adjustment in Africa: Reform, Results and the Road Ahead*; 1995, *Labour and the Growth Crisis in Sub-Saharan Africa*.

¹⁵ See various issues of *The Economist* for a review of the pressures the World Bank currently faces: 'Slimming the Bretton Woods Duo', 18/3/2000; 'The Bumpy Ride of Joe Stiglitz', 18/12/99

¹⁶ The recent departures of Professor Joe Stiglitz, the World Bank's chief economist, and Ravi Kanbur, the editor of the the 2000/01 World Development report from the staff of the World Bank reflect the internal upheaval.

¹⁷ This is exemplified by an on-line World Bank site which states: 'The World Bank's mission is to fight poverty with passion and professionalism for lasting results' (WDR 2000/1 Discussion, wdr@lists.worldbank.org, 21 February 2000).

¹⁸ Ravi Kanbur, as the editor of this WDR, resigned in protest against the 'unreasonable pressure to tone down WDR sections on globalisation'. ('Key World Bank Author Resigns', ID21 News Issue 16/6/2000; 'The Washington Dissensus', *The Economist*, 24 June 2000)

The contents of the report under review are interesting in the context of growing criticism of World Bank policies and the World Bank's counter attempts to project a more sensitive approach to poverty. However, the main issue of concern in this critique is how revealing and robust is the World Bank's analyses of the current situation in Sub-Saharan Africa, and how realistic are its policy recommendations. This review will provide brief summaries of the text in each chapter before critiquing them, and concludes with general observations and comments about the overall report.

CHAPTER 1: CAN AFRICA CLAIM THE 21ST CENTURY?

SUMMARY OF TEXT

This chapter provides a familiar overview of the continent's major developmental problems: its declining output per capita and share of world trade, rising income inequality, rising morbidity and mortality and declining education services leading to rising illiteracy. This is offset, it is argued, by Africa's enormous unexploited potentials and 'great scope for more effective use of its resources –public and private, financial and human' (p.12).

Agency for effecting change is seen to depend on four main groups of domestic actors: 'civil society' (undefined), 'the poor and the excluded' (those with lack of access to adequate income, services and essential infrastructure), 'producers' (those engaged in business, agriculture and other sectors), and governments (African states and their bureaucracies) (p.13). These groups must interact in a democratic way with a shift in decision-making power amongst them to effect positive change and empowerment for those who are currently marginalised. Donors are a fifth external group who must re-evaluate their role.

Fast growth is essential to bring about a reduction in poverty. There are many hurdles to surmount in its achievement: consumption per capita has to rise at the same time as savings increase amidst high population growth. Seriously degraded infrastructure has to be remedied and the continent has to be weaned from heavy aid dependence towards greater participation in world trade. However, Africa's world trade is a major stumbling block. Exports in all commodities with the exception of fuel has declined since 1970 (p.21).

Reasons for Africa's poor economic performance are briefly considered. While it is granted that Africa faces an especially harsh environment and demographic configuration this as well as the continent's ethnic diversity and record on democracy is as seen as both a symptom and a cause of its problems. The negative influence of war and other social conflict is considered to be more serious than the detrimental impact of external trade shocks (p.25). Foreign aid is assumed to have hardly any effect on growth. Basically, it is the policies pursued by African governments that have undermined their economies. As, with all the other abovementioned World Bank reports,

African governance and leadership is seen to be the major stumbling block, holding back investment in African people and causing the business environment to shoulder high costs and risks making it unattractive to foreign investors. In effect, this World Bank report sets up a scenario in which the 'government' is a counterforce to 'civil society', 'the excluded' and 'the producers'. Donors, including the World Bank, are posited as doing their best to foster the needs of the latter.

The World Bank argues that what economic reform that has taken place at its behest, has helped to give national economies macroeconomic balance, opened up the continent to market forces, and made room for private initiative. Nonetheless, this has not effected the degree of recovery hoped for. The reasons given for this disappointing outcome consist of a wide assortment of ad-hoc factors noting first of all that Africa was vulnerable to external market shocks and internal conflicts. In the late 1990s, there were sharp declines in commodity prices and throughout the decade war in Central Africa, the Horn and hotspots in West Africa dragged economic performance down. Another set of factors relate to government's non-compliance or inconsistent implementation of structural reform programmes. As in previous documents, the World Bank does not hesitate to grade governments.¹⁹ Further there is a welter of rationalisations pulled together under the obscure term 'hysteresis effects' which are said to relate to on-going historical legacies that are not easily reversed. In fact under this category, many of the detrimental outcomes of the reform programme that African populations and World Bank critics have continually cited are admitted: the undermining of civil service performance, the decline in service delivery, falling incomes, loss of human capital in the public service, underfunding of sector ministries and government programmes, over-reliance on external donor funding, piecemeal and intrusive donor conditionality, lack of acceptance of SAP reforms by the African population, and the undermining of governments' pre-SAP development agendas.

This report takes the occasion of a new millennium to assert that a 'fragile consensus between Africa and its donors' has emerged. This consensus has toned down emphasis on the market: 'Market-driven development could not succeed without strong social and institutional infrastructure—including a strong and capable state—and without active measures to alleviate severe poverty and raise the capacity of the population.' (p.38)

The final section turns to how this 'fragile consensus' can forge an effective agenda for the future and 'accelerated progress'. Harkening back to the notion of vicious versus virtuous cycles of causation, the future, it is argued, depends on addressing interlocking 'virtuous' cycles of: 1) improving governance and resolving conflict; 2)

¹⁹ It is mentioned that 8 countries are 'judged to be on track' namely: Benin, Burkina Faso, Ghana, Malawi, Mali, Mozambique, Uganda, and Zambia, although Ghana and Zambia were rebuked for 'lapses of discipline' (p. 47). See the 1995 World Bank document which devotes much of its text to listing governments' performance ratings.

investing in people; 3) increasing competitiveness and diversifying economies; and 4) reducing aid dependence and debt and strengthening partnerships.

Conflict is seen as inversely correlated with economic reform arguing that countries with better economic management have better participatory political systems. However, it is admitted that poverty, lack of employment and low education levels-which many African people associate as outcomes of SAP programmes-can lead to conflict.²⁰

'Increasing competitiveness and diversifying economies' makes quick passing reference to Africa's agriculture and natural resources, before turning to the significance of Africa's high urban growth rate. It is acknowledged that 'urban agglomeration can have advantages', however, African urbanisation is proceeding without rising incomes and the labour absorptive capacity of industrialisation. Unemployment rates are high, not helped by public service retrenchment. Thus there is a need for 'economic diversification' and 'export diversification'. The success of this depends on government forging trusting relationships with the business community. Finally, efforts towards 'reducing aid dependence and strengthening partnerships' relate to the recognition that despite its many drawbacks and its sharp decline since the mid-1990s, aid will continue to be essential for African development for some time to come. High aid dependence holds back initiative and debt service drags down national potential. Yet, a serious brain drain makes assistance imperative. Donors have sought to establish effective links with 'civil society' rather than government, but accountability of NGOs is often just as problematic as that of government. This creates a serious impediment to the effective delivery of aid. The aid economy has proliferated causing fragmentation and duplication making integrated government budget management impossible. Countries become 'cash poor and project rich'. Donor flows are estimated to be equivalent to half or more of countries fiscal revenues, financing the major portion of a country's social service and physical infrastructure. In the long run this has the effect of undermining rather than strengthening local capacity.

Critique

This overview chapter represents an eclectic mix of rationalisations as to why 20 years of economic reform has not generated the hoped for economic well-being so confidently promised during the early stages of the World Bank's structural adjustment offensive. The eclecticism and open-ended nature of this chapter suggests that there are now no clear-cut solutions and that cause/effect relationships are difficult to disentangle. The 'world market', always projected as the solution to

²⁰ Zimbabwe is a recent example of a country whose implementation of economic reform policies beginning in the early 1990s was associated with rising political tension.

Africa's economic malaise is, admitted in passing, to be one of the 'external shocks' causing economic setback.

There is a great deal of analytical fudging in this report. The text does not convey any sense of African economies' overall structure. Policy recommendations are not contextualised within some notion of an operational economic order. Development economics in its heyday made its assessment of economic structure part of its analysis. Thus, after independence in the 1960s, there was a 2-sector model, the modern (urban) and the traditional (rural) sector,²¹ which was displaced by a 3-sector model in the 1970s: the formal (urban), informal (urban) and peasant (rural) sector. These 3-sectors were overlaid by a functional categorisation of: agriculture, industry and services. Now however structural constructs of the economy seemed to have been replaced with often overlapping actor categories: 'government', 'civil society', 'the poor', 'the producers', 'donors' and 'foreign investors'. Recommendations are made with reference to these: 'government' should effect a trusting relationship with businessmen ('producers'). 'Civil society' and 'donors' should not undermine 'government' administration. And all actors should be more attentive to 'the poor'. These facile normative directives suggest that it may be that it is not only African economies that are in the vortex of a vicious cycle. The World Bank may be entangled in its own rhetoric.

For roughly 20 years the World Bank has held up the torch of economic reform in Sub-Saharan Africa. Over that space of time, African economies' participation in world trade has been squeezed to an almost negligible amount, external debt has skyrocketed, and poverty has escalated. Strangely, the World Bank's own role in these tendencies is never raised. The World Bank is always assumed to be the voice of reason and rectitude. In the recent open internet discussion on the draft *World Development Report 2000-01 on Poverty* this stance was attacked:

...the Washington consensus policies and process are flawed...The WDR draft however clearly acknowledges the failure of content and process. Here are some significant sentences: "At the beginning of the 1990s...there seemed to be a new, broad consensus – the 'Washington Consensus'. To many, free markets and outward orientation had clearly proven themselves to be the most efficient way for countries to grow and develop. Unfortunately, as in the past, events began to undermine this certainty. Countries that adhered closely to the Washington Consensus did not grow as predicted...some countries that went against the grain of the consensus-notably in East Asia-did quite well. And with the global economic crisis in the late 1990s came a new debate over the benefits and costs of [world market] openness..." ...These quotes are important as they

²¹ See W.A. Lewis (1955), *The Theory of Economic Growth*, London, George Allan & Unwin.

reflect a serious collapse of confidence in the policies that the Bank has pushed together with the IMF through the years. This has serious implications. The draft WDR talks of the failure in a detached way as if the Bank itself has not been involved. But of course it has. Also, whilst it admits the policies did not work, it does not admit the harm they did...(Contribution to WDR 2000/1 Discussion, wdr@lists.worldbank.org by Martin Knor, Director of the Third World Network, 20/3/00).

Another commentator and co-author of one of the Voices of Poverty books observes:

What we call 'poverty' is a selection of features from a nexus of social relations in which we all participate. The Bank is engaged in these relations no less than 'the poor' it seeks to help. In some moments of the report...it would be easy to come away with the impression that there is no such thing as the World Bank, or that the WDR is some disinterested, ahistorical document, a survey of poverty from space utterly disconnected from the history and policies (particularly Structural Adjustment) that created the phenomena it documents. The discussion in chapter 10 of the failure of the Washington Consensus is as close as the Bank gets to acknowledging that it, too, is an actor with a great deal of influence in the creation of poverty. In a chapter that begins with the observation that 'the lives of the poor depend to an increasing degree of forces originating outside their borders' (para. 9.1), the omission of the Bank's own existence and influence is odd...I am sceptical about whether it is possible, despite the laudable commitment of the WDR and Poverty Reduction team to soliciting criticism, for the Bank to acknowledge its implication in relations of power and still to continue to function in the way it currently does. (Contribution to WDR 2000/1 Discussion by Raj Patel, researching effect of liberalisation in Zimbabwe, Subject: [wdr] International Power and Critiques From The Poor, 24 March, 2000).

Most succinctly one cybercorrespondent observed:

The Report is rather like an analysis of a shadow which ignores the object casting the shadow, or a study of cow pats which never mentions cows. As many have mentioned, relationships between the rich and poor worlds are understated and therefore lead to inadequate policy options... (Contribution to WDR 2000/1 Discussion by Titus Alexander, author of Unravelling Global Apartheid, Subject: [wdr] Comments on WEEK 1: Summary, 26 March, 2000).

The World Bank's increasing ability to set the development and research agenda in Africa over the past two decades intimidated critics. Now however, protesting voices

are emerging amongst donors, researchers and the general public in the West, whereas the dissent of the African population, throughout these past 20 years has largely been ignored with the promise that 'the economy will get better in time'. Nonetheless, the tables appear to be turning, and the accountability of the World Bank, as Africa's main policy-setting agency, is being questioned. In the process the World Bank is backsliding, changing its position on a number of key issues that have underpinned its economic reform policies. It is useful to briefly consider these issues and how and possibly why the World Bank's position has changed.

Can Sub-Saharan Africa's producers effectively compete in the global market?

Beginning with the 1981 Berg report, the fundamental assumption of structural adjustment policies has been that African peasant farmers could not only compete, they would benefit profoundly from liberalised markets.²² The removal of parastatal marketing and producer price controls were believed to create better incentives to produce as well as boost farmers' incomes. Furthermore, rural populations were seen to gain relative to urban populations who were considered to have an undeserved extractive relationship over peasant producers. Liberalised markets would destroy 'urban rents' of African government bureaucrats.

Now the World Bank's assumption about smallholder competitiveness has faded away. Emphasis on the need to boost African exports leaves 'African exports' largely unspecified. There is certainly no mention of African peasant response. They have largely dropped out of the equation. Also parallel to the vagueness of economic market strategy, there is also an equivocal answer with regard to who benefits from liberalised markets. Rather than poor peasants gaining, mounting evidence and NGO pressure has led the World Bank to hedge on this by saying there are 'winners' and 'losers' in the short-term, although in the long-term market participation benefits all. Essentially the World Bank's current emphasis on poverty alleviation is to shore up the short-term losers who have lost income or livelihood by virtue of market competition and economic restructuring.

What has caused and is causing Africa's economic crisis?

The World Bank's answer to this question over the past two decades has remained steadfast: African governments and their monopolistic, rent-seeking policies have been consistently cited as the source of Africa's current crisis. In effect, Africa's crisis has been portrayed as a crisis of leadership. In previous documents the World Bank stressed the role of corrupt government administrations, but in this document,

²² These assumptions were strange given that family farmers in Europe, North America and elsewhere were adverse to liberalised markets.

emphasis is simply on their earlier misguided policies and currently their inadequate implementation and management capacities.

However, more than previous policy statements on Africa, this report has acknowledged the role of the world market in causing 'external shocks' which generate economic setbacks for African national economies. This observation is very much in passing and is followed by exhortations for African economies to become more economically diversified thereby immunising themselves from such shocks.

'Hysteresis effects' has been used as an obscure, catch-all phrase to refer to all sorts of demotivational and dislocational effects caused by the implementation of structural adjustment. Thus, in this way, some of the critique of SAP is taken on board without any admission of SAP's inadequacies.

Old and new logics of World Bank policy

Can Africa Claim the 21st Century? concedes very little to World Bank critics. Unlike the controversial *World Development Report 2000-01* it does not identify SAP and liberalisation policies with poverty expansion. Rather the causes of poverty expansion are left entirely vague, part of an African condition, that seems unrelenting in its growing hold on the continent.

There is, however, one area of SAP logic that seems to have been completely abandoned in this document. The foundational 'urban bias' tenet of the SAP, as argued in the Berg report has been removed without explanation. Phrases like 'urban agglomeration can have advantages' to signal the potentiality of urban growth in Africa if and when it finds its bearings in the global market. One is left wondering why urban areas are now viewed in such a favourable light. No longer caste as havens for rent-seeking African government officials, cities are seen as vital nodes for the growth of entrepreneurial business. Interestingly, the term 'informal sector' is not linked to this argument, and is largely bypassed in contrast to past publications. This may be because the 'informal sector' which now encompasses the major share of national commerce in most countries is no longer sanctioned by donors. Whereas previously the entrepreneurial spirit of the informal sector was juxtaposed to the plodding inefficiency of government parastatals and ministries, now the informal sector's tax-evading character has marked it. Donors, led by the World Bank, are now retreating from extreme anti-government positions and being more supportive of African governments' onerous tasks of tax collection.

There is finally one other unstated reason why eliminating 'urban bias' is no longer a World Bank policy objective. Quietly, and without any explanation, over the past decade, Africa's smallholders and their export capability has been jettisoned. Rural smallholders were viewed as the victims of 'urban bias'. Now that they are no longer a policy focus, 'urban bias' ceases to be a problem.

It seems certain categories of 'producers', even if they constitute the bulk of the population, namely smallholders, are expendable. They are transferred to the ranks of 'the poor' where their welfare cause can be taken up under the banner of 'investing in people'.

CHAPTER 4: INVESTING IN PEOPLE

Summary of Text

This chapter reviews what is termed 'the current human development crisis' that must be resolved for Africa 'to claim the 21st century', given that: 1) economic trends in the 21st century are geared to ever more reliance on labour skills rather than natural resources; and 2) 'investing in people' gives them the means and the motivation to lift themselves out of poverty. The resolution of the crisis lies on decentralising service delivery of health and educational services, by becoming more poverty-focussed, and by relying more heavily on international cooperation in the form of the Heavily Indebted Poor Countries (HIPC) initiative.

It is acknowledged that over the course of the 1960s and 1970s, Africa's human development indicators had been improving, but they started to stagnate or even decline over the past two decades. The dimensions of the crisis are staggering whether one compares African welfare against other continents or looks at it temporally over time. Africa is the only continent where primary school enrolment rates actually declined between 1980 and 1995 (p.105). Secondary and tertiary education levels are exceptionally low. Those actually attending school face very poor education standards and abysmal teaching facilities.

On the health front, the situation seems even worse. The steady improvement in nutrition and infant mortality rates has been reversed. The burden of infectious disease has risen inexorably as funding for public health facilities disintegrated. Current deaths from HIV/AIDS is considered to be the proverbial 'tip of the iceberg'. Improvements in life expectancy has stagnated since 1990. In its wake, AIDS has brought vast numbers of orphans. AIDS is seen to be exacerbated by high rates of urbanisation and civil war. 'Investing in people' is a phrase related to the need to address the devastating health crisis, especially AIDS. The long hoped-for drop in Africa's high population growth rates is tragically associated with the impact of AIDS. The report poses the question of why this human development crisis has occurred, asking five rhetorical questions: Do Africans value investments in human development? Are resources used efficiently? Are African governments committed to human development? Are service delivery mechanisms appropriate? Is there enough international cooperation?

All of these questions are answered in light of neo-classical economic studies returns on investment. Africans are found to be eager to invest even at low levels of

income but income constraints lead to public, rather than private, health and education services becoming increasingly more focussed on the poor. Evidence suggests that the coping capacity traditional extended family supports of many rural people has been undermined and has negatively affected school attendance.

The report assesses that resources for addressing the crisis vary a great deal from country to country, being overall quite limited, yet it is argued that the efficiency of utilising this capacity leaves considerable room for improvement. It is believed that governments are willing to address the problem and attempt to improve social service provisioning but there is a lot of vested interests in their way, e.g. trade unions, student organisations, etc. The sheer size of the social service need makes the task enormously daunting. Part of the problem is governments' centralised service provisioning. There is a need to decentralise management of health and education services, which is tune with democratisation. International cooperation should be extended, with a suggested division of labour in which African countries endeavour to fill knowledge gaps and OECD partners take responsibility for finance and research on how to best provision health and education requirements.

The report then goes on to set five goals by 2015, namely: 1) the achievement of universal primary education; 2) the elimination of gender disparities in education (by 2005); 3) the reduction of infant and child mortality by two-thirds; 4) reduction of maternal mortality by three-quarters; and 5) achievement of universal access to reproductive health services. These goals are seen to be reasonable but not easy to achieve given the declines of the last two decades. Their achievement will require service delivery innovations. A re-evaluation of the effectiveness of user-fees may be needed, particularly with regard to school attendance. Different forms of revenue generation may be needed. The extra resources of the HIPC initiative will provide a vital boost. In some cases, African government's commitment to controversial public health issues such as AIDS has to be resolved to save lives. On the other hand, government's actually involvement in service delivery is not critical. Effective delivery is seen to lie in stronger community and private institutions based on principles of decentralised delivery. Governments however should retain a role in coherent public budgeting as well as compensating for geographical unevenness in service delivery.

Critique

Chapter 4 was probably the easiest chapter to write and seemingly the least controversial but it is surely the most evasive. The impact of structural adjustment policies on Africa's social service infrastructure is entirely circumvented.

International NGOs like Oxfam²³ have been campaigning for a number of years to draw attention to the systemic run-down of social services connected with the implementation of SAP in Sub-Saharan Africa. African urban and rural populations have seen the infrastructure and staffing of such services, painstakingly fostered from independence, disintegrate under ever increasing financial constraints. Meanwhile, user fees have often served to marginalise the poor from using what facilities that continue to exist. In other words, there is little doubt in the minds of the African populace and most international NGO agencies that the World Bank-enforced policies of the last 20 years have engendered the avalanche of educational deprivation and disease now being experienced in Africa. Yet this report does not allude to this widely held opinion. Yet, the closest the World Bank comes to acknowledging adverse effects of its policies is mention of the possible constraining effect of user fees on the poor's use of health and education facilities. The report calls for more research to investigate this.

The air of unreality that permeates this chapter is demonstrated by the incredibly ambitious goals it sets for achievement in the year 2015 in the fields of public health and mass education. It seems incredulous that a document which offers very little in the way of sectoral reform in the sphere of social services other than a vague call for 'decentralisation' and reliance on private and community initiative can then declare fantastic goals of: universal primary education, cutting infant mortality and maternal mortality by 66 and 75 per cent respectively, and universal access to family planning services.

In the report, the realisation of these goals are seen to depend largely on donor assistance, notably the HIPC initiative. Given the recent G8 Summit in Japan revealed world powers who were less than eager to deliver quickly on earlier eve-of-the-millennium promises for debt relief at its earlier Cologne Summit, these goals seem all the more unachievable. As of July 2000, only nine countries were on course for US\$15 bn in debt relief compared with the earlier pledge that 40 countries would receive US\$105 bn.²⁴

Besides mention of the possible negative impact of user fees, the report does not address why the 'human development crisis' erupted in the 1980s and escalated out of control in the 1990s. Its coincidence with the implementation with SAP is blithely ignored. Recent DGIS-funded research on deagrarianisation at the Afrika-

²³ Oxfam has been particularly active in documenting the serious under-funding of African countries' health and education sectors.

²⁴ With reference to the Japanese Summit's diversionary declaration to support the supply of computer infrastructure and know-how to the world's poor, a London Sunday Times editorial (23/7/00) entitled 'Give them Short shrift' retorts: 'The Third World is not starving for want of internet access. The price of a decent laptop computer would pay for 2,000 child vaccinations against killer diseases. Declarations about the need of poor countries to "leapfrog conventional obstacles to infrastructure development" are close to an insult. Ann Pettifor, Director of Jubilee 2000 UK, commented: 'The poor can't eat cyber-cake.' ('Britain leads G8 into war on drug barons', London Sunday Times 23/7/2000).

Studiecentrum involving African research teams in Ethiopia, Tanzania, Nigeria and South Africa suggest that declining school enrolments are related to the widespread phenomenon of household income diversification. In rural areas, declining returns to agricultural cash crop production has led to a scramble for income-generating activities not only on the part of male heads of households, but particularly women, and many children as well. In other words, children's earnings have become vital to economic survival in many households.²⁵

There are further spillover effects of the 'scramble for cash'. The intensification of the female working day with the addition of cash-earning activities means women tend to be away from the home more, or otherwise occupied with market-focussed work as opposed to childcare and cooking. Children's nutritional status and health may suffer. In addition, survey work in several rural areas of this research programme point to the growing importance of alcohol production, particularly distilled drinks as opposed to brewed beer, as a ready form of income-earning, which helps dispose of crop surpluses that are otherwise not profitably marketed.²⁶ Alcohol producers have a burgeoning market despite or perhaps because of the economic recession. As elsewhere in the world, alcohol abuse is particularly acute in many poor populations and can assuage a sense of demoralisation and hopelessness. Alcohol's possible link to the AIDS epidemic cannot be ignored. A heavy drinking culture is particularly entrenched in Southern Africa (South Africa, Zimbabwe, Botswana, Namibia and Zambia) where the AIDS epidemic is currently most concentrated.

Chapter 6: Spurring Agricultural and Rural Development

Summary of Text

This chapter begins on a dire note with the observation that African agriculture is uncompetitive. African farmers and agroindustrialists have suffered from a lack of favourable incentives and institutional supports. However in Pollyanna fashion it is argued that this enhances Africa's agriculture potential since it is considered largely untapped. – 'good reason for optimism' (p. 170).

Investment in agriculture is seen as an important way to address poverty. Efforts to achieve food security and gain competitiveness in the world market could enhance the welfare of a large segment of the African population since agriculture accounts for: 35

²⁵ Overview documents of the research programmes findings are: Bryceson, D.F. 2000, 'Rural Africa at the Crossroads: Rural Livelihood Practices and Policies', ODI Natural Resources Perspectives Briefing Sheet, no. 52, April 2000, 6 pp; Bryceson, D.F. 1999, *Sub-Saharan Africa Betwixt and Between: Rural Livelihood Practices and Policies*, Leiden, Africa-Studiecentrum, DARE Working Paper vol 43, 73 pp.

²⁶ See Pietelä, T. forthcoming 2001 'Drinking Mothers Feeding Children: Market Women and Gender Politics in Kilimanjaro, Tanzania'; Tanzarn, N.B. 2001 forthcoming, 'Liquid Gold of a Lost Kingdom: The Rise of Waragi Production in Kibaale District, Uganda'; Tellegen, N. 2001 forthcoming, 'Work and Play: Brewers and Drinkers in the Malawian Village Economy'; and van der Drift 2001 forthcoming, 'Democracy's Heady Brew: Cashew Wine and the Authority of the Elders among the Balanta in Guinea Bissau' in Bryceson, D.F. and N. Tellegen (eds) *Africa through the Drinking Glass: Mixing Alcohol with Business, Pleasure and Politics*, forthcoming.

per cent of the region's GDP, 70 per cent of its employment and 40 per cent of its exports. Furthermore, such investment could strengthen backward and forward linkages between agriculture and other sectors of the domestic economy.

Reasons for Africa's poor agricultural performance are familiar: high transaction costs, inadequate market infrastructure, weak supporting institutions, and limited vertical integration (p.172). These are seen to be the product of centuries rather than decades of heavy extraction and taxation by ruling elites. In the most recent post-independence period this took the form of urban bias in services and prices. Africa's huge geographical expanse, its low population density and endemic disease of animal and human populations have not helped. Nonetheless bad policies rather than low endowments are seen as the prime factors holding back African agriculture. The basic problem is that African producers have not enjoyed sufficient market incentives to produce. Policies mounted by African governments to encourage smallholders to produce for the market, such as fertiliser subsidies, were monopolised by rural elites. Sparsely populated smallholder populations have not had a sufficient political voice. Thus, democratisation is seen as an important step forward in encouraging local organisations of the poor.

A section on assessing the impact of agricultural policy reforms over the past 20 years asserts that the agricultural sector's competitiveness has improved although 'the effected on capitalization of agriculture and rural areas has been limited' (p.181). The elimination of exchange rate overvaluations has helped but weak institutions still pose a barrier to investor confidence, and elimination of price controls remains incomplete in some countries. Export crop policies like the movement of domestic producer prices to border parity levels and the removal of state marketing boards and price stabilisation funds has been positive, but declining world market commodity prices have detracted from the gains. In many countries, private traders have not yet succeeded in lowering transaction costs, suggesting that reforms need to be consolidated (p.184).

It is argued that the long-term secular decline in Africa's major agricultural exports necessitates diversification into other commodities that can be produced with new technology at lower costs. World market prices fluctuate and care must be taken to grab the opportunities afforded by peaks as and when they occurred.

The liberalisation of staple food crop markets, notably that of maize in East and Southern Africa, has been followed by the tendency for farmers' producer prices and urban consumer prices to decline making urban consumers the major beneficiary. This is explained by the fact that high marketing board margins have been eliminated for the consumer and grain trading is highly competitive (p. 186). It is observed that the combination of lower producer prices and the removal of fertiliser subsidies has strong disincentive effects on smallholding farmers and could jeopardise regional food

security. Thus food production policies must be improved by raising productivity as well as lowering the costs of grain importation. On raising productivity, it is recognised that the removal of fertiliser subsidies often caused abandonment of fertiliser usage, and was often not properly sequenced in the policy reform process. The private sector has not become actively involved in fertiliser distribution which requires policy attention.

It is noted that progress on agricultural pricing reform has superseded progress on lifting institutional and infrastructural constraints. Donors have typically contributed roughly 40 per cent of agricultural research costs and there is need to invest more in this area which promises high returns on investment. It is claimed that land and labour productivity in agriculture has risen during the 1980s and first half of the 1990s. Yet, Africa has lost significant market share in many of its main agricultural exports since 1970, e.g.: groundnuts (55 per cent), cocoa (27 per cent), coffee (14 per cent) but has made small increases during the early 1990s in bananas, cotton, sugar, tea and tobacco.

The report advocates the adoption of a 'business plan in the 21st century' to make agriculture and agroindustry more productive. There is a need to consolidate the reform process and encourage private agents' entry into input, output and rural financial markets. All stakeholders should be consulted as emphasised by the Organisation of African Unity. The capitalisation of African agriculture requires enormous investment that will involve both private and public sectors in 'on-farm, agroindustrial, and infrastructure investments' (p.194). Women should be included in the process. Investments should guard against environmental degradation. Furthermore, the HIV/AIDS crisis adds another dimension to the investment scenario, lowering labour productivity and increasing dependency ratios.

The resources for this investment drive must be garnered amidst declining foreign aid, poorly developed rural financial markets, and over-extended central and local government funding commitments. Thus, most of the investment will 'come from rural incomes' (p.198). Rural income sources include rural population's savings, entrepreneurs, cost recovery for services, taxes levied by local and central government and foreign direct investment. All this depends on making agriculture dynamic and profitable. Thus institutional reforms to improve input and output markets, Africa's better access to OECD markets, land tenure reform, are all necessary to boost agricultural exports. To this end, implicit taxation on agriculture should be reduced, public-private partnerships should be actively encouraged and donors should increase aid especially to agricultural research.

Despite emphasis on the increasing role of private capital in developing African agriculture, public investment will continue to be critical. Efforts have to be made to economise on the use of scarce public funding. This can be facilitated by

decentralisation of resources and responsibilities which requires strengthening local government. Success depends on efforts to improve marketing by removal of remaining barriers to transport and trade and seeking regional approaches to research and development.

Critique

This chapter perhaps more than any other marks a break with past World Bank policy statement documents which posited African smallholder agriculture as the 'engine of growth' for the continent. By contrast, the first sentence of this chapter reads: 'Centuries of poor policies and institutional failures are the primary cause of Africa's undercapitalized and uncompetitive agriculture' (p. 170) Thus, the World Bank belatedly admits that pitting undercapitalised peasants against highly capitalised agroindustrial interests in the world market is problematic. If European and North American family farmers are struggling to compete, how can their African counterparts with far less sophisticated technology and exceptionally high transport costs succeed where they have failing?²⁷ This sentence also radically departs with previous SAP thinking by blaming the under-performance of African agriculture on centuries of poor policies. It seems Africa's post-independence policy-makers now have company – European slave traders, colonial governments, plantation owners and settlers are all now implicated. African agriculture can't compete because of its long legacy of under-investment.

Having asserted Africa's lack of competitiveness at the outset, the major share of the chapter is devoted to covering up the devastating effect SAP and economic liberalisation has had on Africa's peasant smallholders. This is accomplished by never distinguishing different types of agricultural producers and their respective scales of production. Hence the word 'smallholder' has been jettisoned.²⁸ 'Agriculture' which seems to vaguely refer to smallholders and 'agroindustry' denoting larger-scale capitalised producers are often lumped together in the analysis, without comment. In this way, claims like 'Recent reforms have improved agricultural price incentives' (p. 187), can be ambiguously understood as large-scale agroindustrialists have responded to price incentives.

Most indications are that reforms had the opposite effect on smallholding peasants. As findings of the ASC's Deagrarianisation and Rural Employment (DARE) research programme show: SAPs largely dismantled parastatal marketing boards that

²⁷ For further discussion of this see Bryceson, D.F. 2000, 'Disappearing Peasantries? Rural Labour Redundancy in the Neo-Liberal Era and Beyond', in Bryceson, D.F., C. Kay and J. Mooij (eds), *Disappearing Peasantries? Rural Labour in Africa, Asia and Latin America*, London, Intermediate Technology Publications

²⁸ Similarly, during the 1970s and early 1980s, the World Bank and other IFIs jettisoned the term 'peasant' in favour of the more politically neutral term 'smallholder'. See Bryceson, D.F. 2000, 'Peasant Theories and Smallholder Policies: Past and Present' in Bryceson, Kay and Mooij (eds).

had services peasants' input requirements, enforced commodity standards, and provided single-channel marketing facilities and controlled prices. Their replacement by private traders was patchy, and left smallscale peasant farmers with a more uncertain market environment, widely fluctuating producer prices, rocketing input prices and tenuous input supply. At the same time as returns from peasants' commercial agriculture became less certain, daily cash requirements were increasing under the economic stringency of SAPs. Peasant farmers reacted by trying to diversify their incomes. A surge in non-agricultural income sources is one of the most striking economic outcomes of SAP in rural Africa, which this World Bank report never mentions (see DARE research reports denoted with an asterisk in bibliography).

This chapter does acknowledge the loss of market share for some of Africa's major agricultural exports during the SAP years. Also it documents the tendency for grain producer prices and urban consumer prices to decline within the liberalised markets (p. 186). This is very perverse outcome given the World Bank's original stated intention to reduce 'urban bias' in line with the analysis of the Berg Report of 1981 and Bates (1980). It was argued that government staple food marketing boards and parastatals were buying peasant food crops at artificially low controlled prices for the benefit of urban consumers. SAP was implemented in the name of improving peasant producer prices. Yet, now, after several years of private grain trading, farmers' producer prices are so low that many see no point in producing grain for the market and urban consumers are enjoying exceptionally low staple food prices. As noted above, the World Bank perceives a consequent food security risk and recommends more liberalisation of food importation. This measure could undermine peasant farmer commercial grain farming altogether. Could that be the long range goal of the Bank? It certainly seems so, in the absence of any explanation to the contrary.

Strangely, there is scant mention of the role of non-traditional export crops, especially horticultural products, which throughout the late 1980s and early 1990s was one of the World Bank's main strategies for reviving African agriculture. This strategy seems to have fallen by the wayside, perhaps because it was largely irrelevant to the majority of peasant producers who did not have the technological or transport capacity to produce horticultural products according to strict delivery schedules. The report notes that, in any case, relative prices for nontraditional export crops have declined although at a slower than that for Africa's traditional exports (p. 203).

Chapter 6's exhortations for improvements to marketing, agricultural research in the face of contracting financial means for agricultural infrastructure provisioning leaves the reader with the impression that this chapter is written on auto-pilot. There is no mention, let alone conviction, that peasant smallholders have market niches or windows of opportunity for innovation. And there is silence about their efforts to do something else, rural households' attempts to diversify into non-agricultural

activities. The process of marginalisation of peasants and their flight from agriculture into low paid informal sector is simply ignored in this report.

Conclusion

This document represents an institutional face-saving effort on the part of the World Bank. In the face of the dire effects of SAP and market liberalisation on the living standards of the African population, the report postures with an expressed concern for the poor. The economic prospects of African peasant farmers are cavalierly written off and the options for the millions of undercapitalised 'diversifiers' struggling to make ends meet in the so-called 'informal sector' are papered over with vague calls to support the private sector. Throughout the document there is no effort to differentiate undercapitalised low-income economic agents as opposed their much more endowed high income counterparts. 'Agriculture' (meaning smallholders) and 'agroindustry' (meaning local and foreign investors) are often lumped together, without any recognition of any interest conflict between them.

The hegemonic position of the World Bank, supported by bi-lateral donors over the course of the last two decades, has left a deep scar on social and physical science research on Africa. Research priorities have been entirely dominated by World Bank frames of reference, terminology and objectives. In the process, it has been very difficult for opposing findings and views to be heard, let alone accepted. Now, the World Bank's analytical perspective is not only clouded by ideological dogma but institutional defensiveness as well. In a sense, this document represents the culmination of years of neglect of rigorous macro-level research on trends and tendencies on the African continent. As always, the authors of the document rely most heavily on other World Bank documents, allowing them to remain smugly oblivious to different interpretations – the 'hysteresis effect' of World Bank domination.

This is an irresponsible document whose main policy recommendation is essentially more of the same but with a slightly more humanitarian gloss. Certainly the African continent deserve more than this self-serving cover-up of the effectiveness of policies the World Bank enforced in Sub-Saharan Africa over the last two decades. The current crisis requires in-depth consideration of real policy options, not just a hastily constructed humanitarian concern for the poor.

The 'poor' are no longer marginal, they are the majority of the population. Humanitarian welfare-focussed drives to improve health and education in the absence of economic policies to address agrarian labour redundancy and basic needs will cause the proliferation not the contraction of their numbers. Future viable livelihood prospects for Africa's displaced peasantries and those peopling the continent's ever-growing amorphous informal sector, must be found and fostered now. Otherwise, the continent is bound to see war and misery on an as yet unprecedented scale.

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Appendix B

Some comments on *Can Africa claim the 21st Century?*

Jan .Abbink

1. Importance

The World Bank has produced its agenda on (Sub-Sahara) Africa in the new century under the title *Can Africa Claim the 21st Century* (Washington DC, 2000). This document, produced after numerous seminars, forums and discussions by a wide collective of scholars, is an important one:

- * the World Bank (WB), together with the International Monetary Fund (IMF), has had a crucial external impact on economic and social development in Africa in the past quarter-century.

- * many scholars from across the world from a variety of institutions, including from African countries, have critically commented on draft chapters. It has not only been conceived and written at the desks in Washington, DC.

- * it gives examples of many development aid projects which have been successful, either carried out by the WB or by international and local NGOs and development agencies. These examples demonstrate the fact that not only macro-economic policies are important but that the private and public efforts of committed (often foreign) development agencies and experts can be vital engines of positive change.

For these reasons alone the message deserves close scrutiny. The brief comments given below refer to Chapters 1-4 and 8.

2. Scope and approach

What strikes the reader is the comprehensive view and ambitious scope of the report: the narrative touches on many major economic and developmental factors that impinge upon Africa and explain its long period of crisis. Answers are sought to the question of why Africa 'lagged behind', and why promising developments in the 1960s and 1970s were not sustained in the last decade of the 20th century. The perspective is economic; social and political factors in African countries are secondary in the analysis.

The ambitious scope of the report has led to fairly high level of generalization and a highly *prescriptive* tone: there is a very large number of "ought", "should" and "need to"-clauses, demanding an almost impossible agenda of 'major changes' for Sub-Sahara Africa. Moreover, this agenda of change is tied to current insights of the World Bank only, and does not openly reflect the controversy both in - and outside the Bank (and its associated institutions, like International Development Agency (IDA) and IMF) about the course Africa has to take, and more importantly, about the policy initiatives

that the developed world and the donor countries/institutions could take. Neither is there much evaluation of *past performance* of the WB in Africa itself (virtually nothing on the impact of its Structural Adjustment Programmes, SAPs), of its policies toward agriculture or toward African governance). Lessons from several internally produced critical studies are not explicitly discussed either.

Notable also is that the report's empirical data and analyses are virtually all based on 'in-house' sources: *other* economically oriented World Bank research reports. Independent research (let alone contemporary-historical, sociological and anthropological studies with economic relevance) of non-WB origin are largely bypassed. In an account with a largely *economic* perspective, this is perhaps understandable. But as the report repeatedly calls for a 'holistic' approach and also extensively comments upon politics (strengthening of state capacity, good governance) and society (health care, education), a broader, more context-sensitive view of more relevant data on African societies is ultimately called for (especially when dealing with the individual countries). In addition, *critical* studies of WB programmes and projects are not much cited either. Although conclusions from such debates have been dealt with and were often, in some way, adopted in WB thinking²⁹, there are few references or acknowledgements to scholarly work done outside the WB framework. If suggestions of non-WB literature are taken in, they are not traceable in the list of references.

3. *The message in brief*

The rhetorical question in the title is answered by a cautious and conditional "yes". The facts about Africa, however, are not encouraging. To meet the internationally agreed upon development aims for 2015, where the *reduction of poverty* is perhaps the core aim, African economies have to grow (in GDP) by at least 7% annually to reduce mass poverty by half. A minimum of 5% growth annually is needed *not* to let the number of poor *rise*. In view of the rate of the past 15 years, this is a high aim to set. The World Bank's contention, however, is that it is in principle possible, as it was for Asia (Asia in the early 1960s was economically worse off than Africa).

For the positive turn to happen, African countries need to implement new WB policy programs, and need "business plans", to be made by local governments with the donor community. The aims should be to reduce poverty, combat persistent health problems (AIDS, malaria, a.o.), broaden education and improve its efficiency, invest in transport and communications infrastructure, enhance employment and economic output, strengthen the capacity and efficiency of African governments/states, keep

²⁹ For one brief analysis, see S.P. Schatz, "The World Bank's fundamental misconception in Africa", in *Journal of Modern African Studies* 34(2), 1996, pp. 239-47. The main idea of this article is that not government performance but the structural features of African economies themselves are the chief problem. This critique has, however, been incorporated into WB thinking.

track of environmental problems, and improve the delivery and effectiveness of international development aid. Aid dependency should be discouraged. But aid remains a necessity for most African countries in view of the low domestic savings rate, the narrow tax base of national economies, low consumption, low direct (external or local private) investment, low productivity and underdeveloped export capacity, and balance of payment problems.

Emphasis is put on decisively enhancing the performance of African governments (good governance, improving efficiency, commitment), as their bad administrative and governing record is seen by the WB (already since the early 1980s) as one of the major causes of poor *economic* performance.

Africa's position on the world market remains fragile and vulnerable: terms of trade have deteriorated, exports are not diversified enough and are vulnerable to price movements on the world markets for prime commodities, and Africa's share in world trade is declining. This vulnerability is linked to a combination of (comparatively unfavourable) climatic-geographic factors, the heritage of political and economic problems of a colonial and postcolonial nature (including weakly institutionalized states, infrastructural barriers, undercapitalized agriculture and industry), and conflict (cf. Ch. 2).³⁰ Especially since 1997, Africa is in a 'growth crisis' and decisively lags behind.

Reducing poverty continues to stand out as the major emphasis of WB policy as proposed in this report. Higher levels of wealth lead to more spending, more consumption, and more 'stakes' of people in their country's economy. Also, major investments should be made in people (Ch. 4): in education and in health. Whether this more humanitarian emphasis will indeed be carried out and sustained in the specific WB/IMF country assistance programs remains to be seen.³¹

4. The diagnosis

Much of the WB report's diagnosis is useful in the sense that all major relevant factors in Africa's politico-economic problems are considered and new linkages identified. The new call made for comprehensive, holistic development, with a strong emphasis on integrated country implementation plans, is timely and necessary.

³⁰ An important conclusion is that WB research by P. Collier *et al.* has *disproved* the factor of 'ethnic diversity' of states as a cause of conflict; the opposite tends to be the case, certainly in more democratic countries. I.e., other social and economic factors precipitate conflict, which then become embroiled in ethnic strife later on (pp. 24-25, 56). This is what many anthropologists and contemporary historians of Africa have been saying in the last 20 years on the basis of their data.

³¹ It will depend on good local research on the experience and nature of 'poverty', not only in an economic but also in a socio-cultural sense. E.g., if economic 'development' leads to more dependence and loss of community control - compare pastoralists -, people's lives will not improve.

Chapter 1

The general Chapter 1, "Can African claim the 21st century", gives not an analysis but an overview of African development problems. While "much has changed" and improved compared to a century ago (e.g. in literacy, life expectancy, political participation), the challenges now are "enormous". The message tries to be one of hope, but often its too optimist, "win-win" language is not realistic and seems to become mainly pep-talk.

Mentioned as worrying developments are: Africa's declining share in world trade (an 'income loss' of \$ 68 billion in 1970-1993), its declining savings and investment rates per capita, its high income inequality, and its currently poor human endowments (in education and health) and social exclusion, insecurity and conflict, and the disastrous impact of new health problems like the HIV/AIDS pandemic, which is estimated to take away at least 1-2% of GDP (p. 237).

Positive points noted are: achievement of macro-economic balancing of many state budgets, more scope for market forces (also less protectionism), for private initiative, and for privatization. Despite this, there has been no persistent or durable economic growth.

Prerequisites for change are "determined leadership" (p. 11), building on past democratization, and economic empowerment (p. 13). Among the latter heading, four groups are mentioned as beneficiaries-to-be: civil society; the poor and excluded; producers; and governments. This, incidentally, means: virtually everybody in any African country. So the specifics and priorities are somewhat lost here.

In this chapter (under a heading called "The bottom line", p. 27) a plea is made for sound policies and strong local institutions in Africa. In underlining this element, the report conveniently omits the fact that the SAPs of the 1980s and 1990 insisted on the opposite: reducing the role of the (hypertrophied) state and enhancing private agents and market forces to 'liberate the economy'. This led to some macro-economic improvements but *also* to blight in the social service sector, health care and education, state institutional structures, to a loss of trained personnel and staff (i.e. 'capacity') from the state, and to a general undermining of public trust in, and legitimacy of, the African state. The report could here at least have given a measured assessment of the impact of SAPs on African society. That more or less successful macro-economic adjustments have been made (p. 28-29) hides the fact that problems caused by this process may come bouncing back at an even greater cost (e.g., ignoring of the spread of HIV/AIDS in many countries in the early 1990s).

Despite the sombre economic profile of Africa, the report sees a "window of opportunity" in three trends (p. 46):

- * political opening: there is more political participation and more pressure for accountability.

What is ignored is that the trend is reversible, and is often compromised by the ambivalent policies of donor countries in their relations with African countries.

* end of the Cold War: global political bloc rivalry has ended and this may lead to more consensus on development needs and effectiveness.

However, political power play in Africa is not gone (e.g., EU vs. USA and Islamic countries vs. the West), and new regional conflicts have erupted. This should be realistically acknowledged.

* Globalization and the new technology: the report states that the opportunities are great and that huge gains may be in the offing.

But elsewhere it is said that the communications and other infrastructures are still so inadequate in Africa, that it is doubtful that they will be a comparative advantage allowing the continent to catch up.

In sum, the message of hope in this chapter is admirable in the face of the distressing facts, and the analysis presents most of the relevant issues. But the optimism is perhaps too much. Too much is laid at doorstep of African countries and their governments, and too little self-critique of donor institutions and countries is given.

Ultimately, much of the causal links remain unclear as well. Indeed the chapter speaks of four *circles of (cumulative) causation* (p. 39): circle 1, improving governance and resolving conflict; circle 2, improving competitiveness and diversifying economies; circle 3, investing in people; and circle 4, reducing debt aid dependence and debt and strengthening partnership. That the circles are inextricably linked is obvious, but what they imply for policy priorities is not quite clear.

Chapter 2

It is significant that **Chapter 2 deals with "Improving Governance, Managing Conflict and Rebuilding States"**: reflecting an old adage of the WB that African leadership is sub-standard and non-performing, and thus having a deleterious effect on economic performance. While this view is often shared by African populations, which by and large do not trust their governments (and often fear them), it is no longer convincing to put the chief blame on them. The *real economic* difficulties of Africa in terms of production factor endowments, heritage of the past (including colonial mismanagement, lack of infrastructure and of economic diversification, and authoritarianism) and practices of the developed world vis-à-vis the ex-colonial world (e.g., tariffs and own market protection) still cannot be underestimated.

However, the report is right in emphasizing the role of enhancing democratic structures, rule-of-law institutions, and developing constitutional-representative institutions. These are ideals shared by the large majority of the Africans and were the

aim of mass struggle since the late 1980s.³² Whether, however, in the specific country assistance programs the WB and IMF keep these (political) aims in mind over and above the economic ones is not at all sure. CAS reports usually focus on economics only, and not on political recovery, etc.

The report states that rapid changes have occurred in Africa's political landscape, creating "opportunities for development and growth". But the reverse could also be said. Instability and insecurity can be given new leases of life if African states fails to deliver on participatory, democratic structures and equity. How committed donor country support for processes of political reform will be seems far from clear. There is also a divergence of views of WB with those of others as to the democratic and policy reform commitments of leaders. A blatant mistake of the international donor community was to put excessive trust in the Ethiopian, and especially the Eritrean, post-1991 leadership as a "new brand of leaders" (as they were amenable to SAPs, reducing central state economics, liberalizing markets, etc.). But those same leaders had no qualms in becoming engaged in the largest African war of modern times, destroying nine years of political and economic reform efforts, allowing human casualties in the tens of thousands in two year's time, and siphoning off huge public funds for investment and infrastructure to a destructive war effort. These leaders (who were pets of the donor community) went squarely against the declared policy priorities of the WB and the donors, who did not see this war coming because they did (do) not make a good analysis of the political dynamics of these states. In addition, when countries become embroiled in war, the existing structural aid programmes, agreed upon and needed for *long-term* capacity building, etc., may be suddenly cut off. The effect of such a cut-off on state policy is usually questionable, especially when the government or ruling elite sees essential interests threatened in the conflict.

This chapter has a very useful overview of "causes of conflict" (p. 58f.), among them the high dependency on natural resources, low incomes (for young men), lack of democratic rights, and the small size of many African countries (although more causal factors of a political and socio-cultural nature coul also be mentioned). The need for conflict resolution, peace building and state reconstruction is also emphasized as conditional for development, whereby Mozambique is cited as an (exceptional) example.

Most remarkable in this chapter is the WB's renewed emphasis on the importance of the state, not only as a political and judicial structure but also *as an economic agent*. This is a kind of reappraisal of previous WB positions, although they will not admit this. Consequently, this chapter outlines a program of recovery and

³² The World Bank now also recognizes the importance of 'civil society' organizations, like (presumably) trade unions, voluntary associations of citizens, etc.. The ideological trappings of 'civil society'-thinking are, however, not discussed. It is not an unproblematic category.

capacity-building, which was severely dented by almost two decades of 'state slimming' in the period of the SAPs.

The critique of African state performance is not mild, but in the heat of the argument it is forgotten that much of the problems described also apply to many Western/industrial country governments: inadequate civil service, corruption, inefficient budgeting, bureaucracy, etc. Political accountability, government commitment to reform, representation and power sharing are seen as indispensable for successful governmental institutions and for stability. A new catchword is *decentralization*, but a critical assessment of the meanings of this term in the African context is not made.

The list of required characteristics for political reform, good governance and institutional development in Africa given here is quite awesome. No indication is given of how concrete African politics are rooted in society and constrained by historical and cultural factors mediating 'power', redistribution of resources and elite politics³³. An encouraging point is that the WB finally explicitly acknowledges the importance of the rule-of-law, and of strengthening the (independent) judiciary and legislature.

Chapter 3

This chapter deals with the core issue of World Bank policy to come: ***Addressing poverty and inequality***. The stated ideal of reducing rising poverty is to be achieved by economic growth together with a reduction in inequality. Here a new (and long overdue) plea is made to register and measure dimensions of poverty in terms of the afflicted people themselves (as in Box 3.1, 'Voices of the Poor', p. 85). Food insecurity, decline of systems of social support, psychological damage, traumatic gender relations, and distrust of state institutions spring out as the most relevant aspects. The question is not asked about how this pattern of increased poverty was related to decline in governmental services and state institutions in the last decades, but that there is a link seems obvious.

Inequality (in terms of income, social spending, consumption patterns, and access to services) is very marked in Africa, and is tenacious. It is prevalent both in the urban and rural sectors.

Predictably in this report, the strategies outlined to reduce poverty focus primarily on macro-economic and structural policies that could encourage growth and employment. But there is also a stress on the need for 'inclusive policies', the development of 'better capabilities' of people, a focus on gender problems, and more efficient 'delivery mechanisms'. Here the account reverts to a high level of abstraction and normative thinking and the link with actual practice is rather tenuous.

³³ Compare, e.g., P. Chabal & J.-P. Daloz, *Africa Works. The Political Instrumentalization of Disorder* (Oxford, James Currey, 1999).

Government policy and commitment is highly overrated. No good analysis is made of current patterns of labour migration and alternative employment strategies of the poor themselves, and of the extent of differences between countryside and urban areas. One problem is not mentioned: that of displaced people and *refugee flows* and the human investment needs this evokes. An essential ingredient to combat poverty and social exclusion is said to be investment in health and education services.

Chapter 4

This latter point is then elaborated in **Chapter 4, *Investing in people***. The chapter describes the magnitude of the educational and health crises in Africa, and the negative effect these have had on economic growth and overall development. One underlying factor is the continued high population pressure, despite high mortality. Africa's 'fertility transition' proceeds very slowly, and in some countries (like Kenya, or Ethiopia) hardly at all. Life expectancy is low, disease rampant. Incomes are low, the tax basis is narrow, savings are too low, and state budgets to invest in 'human capital' are correspondingly limited. The spread of HIV/AIDS is only the latest and most dramatic illustration of this human development crisis. The report suggests that African governments show a definite lack of commitment in combating AIDS (except Senegal and Uganda) and in reducing fertility.

The report makes proposals to improve 'service delivery mechanisms' for investments to reach the people (e.g. by decentralization), reassesses criteria of resource use efficiency, and redefines the role of international cooperation. The normative and hopeful text presented here, especially on education, is not warranted by the facts on the ground. There are deep-rooted problems that will take much more time to address than admitted here. Again, the possible impact of past WB/IMF policies on African state budgets and concomitant decline in health and education services is not discussed.

The health sector should get major investments. The remarkable case of the successful campaign against onchocerciasis (river blindness), on p. 121, is held up as an example of what is possible if a Western company cooperates with local governments, international agencies and NGOs. This debilitating disease is almost eradicated. But this lone example also shows how little of such efforts in the field of healthcare in Africa were done in the past. Only in the last few years, a similar venture is planned to fight malaria, always seen as the disease of poor people in the tropics.

Ultimately, the aim to reach the internationally agreed development goals for the year 2015 (which include achieving universal primary education, eliminating gender disparities, etc.) is laudable but difficult to meet.

Chapter 8

This chapter addresses problems of **aid dependency, debt, and the challenges of 'partnership' between Africa and the developed world.**

International aid will be necessary in the foreseeable future, because of the large savings gap, capital flight, and low investment and growth rates. If aid is reduced more, consumption will not grow and poverty will not decrease. Still, aid is seen as not having delivered on its promises: it has not sufficiently fostered development. Explanations are sought in the relatively unfavourable geography, in the domestic environment (individual countries' sub-standard political and economic management and lack of commitment), and also in donor countries' self-interest in supplying the aid (p. 242). Furthermore, it is rightly admitted that 'donor dominance' has inhibited local initiative and choice, capacity building and transparency.

What is not discussed is - when donor dominance is regretted - how then to deal with the political conditionalities that donor countries and the WB will keep asking of African governments (see Chapter 2).

In addressing the improvement of aid efficiency, delivery and 'ownership', there is a discussion of the 'fragmentation' of international aid. A remark is made in passing on the "intrusive micro-management by a host of uncoordinated donors" that serve no one's interest (p. 237). This unfair remark again glosses over the fact that such donors (often NGOs) jumped in to repair the social damage done by WB/IMF SAPs.

The 'business plan' for Africa presented here emphasizes the by now familiar WB refrain that aid should be 'more effective' and should be included in recipients' national budgets. An important remark (p. 237) is that the "underlying principles" of aid procurement (a comprehensive approach, strong ownership, decentralization, selectivity, partnership and participation) "need to become integrated with the socio-political processes of recipient countries". This sounds good, but my impression is that in practice these partly *non-economic* principles are often simply jettisoned in the implementation phase.

Another line is the need to "forge a new strategic partnership" (p. 247). Here the key elements are deconcentrating aid delivery, empowering local communities, put Africans in charge of their development planning, with (external) development partners recognizing Africa's leadership and responsibility. These are well-sounding ideological formulae, but the practical political and social constraints, and factors like government and elite interference in this process, are not discussed. Some plans proposed (like the 'sector programmes' on p. 254) would probably not even work in the developed world.

The chapter rightly pleads for a more equal partnership between donors and recipients. But it again ultimately gives the economic and managerial perspective from the donor community. This reflects the perpetual dilemma of manoeuvring between an

external agenda of economic reform, efficiency, good governance, committed political reform, etc., and the needs, aspirations and capacities of the various countries.

The report repeatedly states that "major changes" are needed, and as soon as possible. But as the current difficult negotiations on debt relief indicate, it is unlikely that radical and speedy changes will be forthcoming. Africa's development will take more time and be more gradual than anticipated here.

5. A summary assessment

Despite its high public relations character, this report enhances the reader's understanding of the complexities and factors involved in Africa's economic performance and development challenges. As such, it is essential reading. But neither the interpretation of all what happens on the continent in economic terms, nor its policy prescriptions need to be accepted in their entirety. Within the WB frame itself, alternatives are possible. Outside the WB frame, a broader and more context-sensitive understanding of political, social and cultural factors *defining* the economic and development challenges is necessary, if only for the sake of argument. We need 'counter narratives' of development.³⁴ Most of the ambitious agenda of the WB is a statement of intent, and as yet insufficiently operationalized or tested by reality.

Critical questions therefore remain about the *linkage* between this general, at times abstract and ideological, survey of Africa's problems and the possible remedies on the one hand, and the local-level implementation of aid packages to be carried out by either the WB/IMF and other donors, on the other. Especially IMF policies will not have much eye for the socio-economic complexities of the various African countries but will just apply 'sound banking practices', as they do in the rest of the world.

Furthermore, in implementing the aid and development schemes 'on the ground', it would not be advisable to leave this only to WB/IMF, government and foreign embassy people, who are by definition somewhat removed from daily practice. Development experts (both local and foreign) are not above criticism and local evaluation, but their input is valuable in that they often have contextual knowledge and can make realistic assessments from field experience. In many projects their input is even indispensable. In addition, people in Africa appreciate the human input of and dialogue with foreigners. They do not only want to be seen and treated as 'eternally needy' persons without social and cultural values or human dignity but also want to show and discuss with outsiders how they make sense of their lives, even if poverty, disease and conflict make survival difficult.

³⁴ See: Emery Roe, *Except-Africa. Remaking Development, Rethinking Power* (New Brunswick-London: Transaction Publishers, 1999). Cf. also Chabal & Daloz, cited above.

6. *Suggestions and points of critical reflection*

I conclude by making some general points of criticism on the WB report which build upon its analysis of African problems and its positive recommendations.

* Despite all its hedging, the report betrays a somewhat dogmatic belief in the positive role of market forces, free from 'government interference'.

Apart from the unrealistic flavour of this position, in Africa no economy - however 'liberalized' in the formal sense - will remain free of government elite interference (Ethiopia is a case in point: the state companies privatized since 1991 were 'sold' largely to (members of) the well-entrenched ruling political party). This market force belief is evident in the ambiguous statements in the report on the positive role of globalization, on the WTO, and on the cancelling of trade barriers (However, unilateral or forced abolishing of trade tariffs for domestic markets by African countries would be disastrous to their economies and amount to a sell-out). In addition, we all know that the Asian 'tigers' were economically pushed forward by state action, not by the market. It is also forgotten that the greater belief in the 'automatically beneficial' effects of market forces is partly responsible for the (much deplored) decline in aid budgets of the developed world (from \$ 32 per capita in 1990 to \$ 19 in 1998; see p. 236-7).

If there is an assumption in this report that capitalism and globalization *lead to* 'good governance' and democracy, then that is a big misunderstanding. There is no such causal link at all (Latin America in the 1970s and 1980s is a good example; or Kenya in the last 20 years: capitalist, but going from bad to worse). Other factors intervene: political culture, ecological-geographic characteristics, ethno-regional divisions.

* There is no single road to 'development'. Views and expectations of economic growth and what this means are diverse, also in Africa. The South African model, with its huge costs in crime, violence and social disruption, is certainly not the ideal among many other African nations. The reduction of humiliating poverty, dependence and marginalization can indeed be an ideal shared by all, but the unrestricted opening up of markets, the pressure to submit to the WTO regime, more dependency on imports and the inflow of western consumer products are not universally accepted and have more than one time path. There is also disagreement over what 'development' means. There are cases of relatively independent and functioning pastoralist societies in Africa that were doing fine (although on a low technological and material level) until external interference (a state or international agency) came along, marginalizing them and making them dependent in the context of a national state and global commodity flows.

* The report seems to privilege global economic market forces over and above state reform and the furthering of African 'government activism'. The latter, stimulating a just, democratic environment, creating equality before the law, business protection, free association and free press - in short a democratic environment with more rule-of-law guarantees - is much more important than assumed in international development discourse. The 'good governance' ideal is *not only* about *economic* accountability and transparency, etc. It is also about the politics of democracy. Once in place, or at least better guaranteed than now, democratic initiatives will by themselves enhance economic enterprise and investment. Fear of government arbitrariness stunts people's readiness to invest in long-term productive ventures. Hence, there should not be too many compromises with African governments reneging on the democratic rights of their people even if they are giving in to the neo-liberal economic 'reform' demands of WB/IMF.

In addition, the hold of *global* financial and economic forces on a country's economy will be resented on nationalist grounds. European Union countries can perhaps afford not to be nationalist, because they are developed and closely integrated in a transnational economy, but in Africa this does not hold. There is, e.g., already growing resentment in Africa against the arrogant expansion of South African business interests on the continent.

* There is much talk of a 'new partnership' between African countries/governments and the donor community. It remains unclear under what conditions this has to take shape. On the basis of agreements and joint performance no doubt, but in reality such 'partnership' remains both volatile (susceptible to sudden interruption, as in the case of Ethiopia in the Ethio-Eritrean war of 1998-2000) and determined by the donor countries and institutions. Africa's chances to impose or propose its own conditions will be limited.

* It remains to be seen how far the WB's new emphasis on poverty reduction finds concrete resonance in the IMF and the WTO. These financial organizations have no agenda of ideals for human development except GDP growth and hopes of a 'trickle-down effect'.

* The report's sections on aid delivery more directly to African populations, to the local communities, are encouraging. Not all aid should go to, or through, government agencies. Local NGOs and their foreign counterparts remain vital, although they can be better monitored and coordinated.

* The report seems to underestimate the effects of 'external shocks' and political upheavals on the economy. Some of these shocks are part of the wider political context, which is not taken in by the WB as a variable inextricably linked to economic processes, but kept outside the analysis. These effects (e.g., of the 1973 oil crisis) are referred to several times, but ignored are their political origins in the world system. This is particularly evident in times of warfare. In addition, the much applauded process of globalization will increase Africa's sensitivity to these external shocks, while they will not have the institutional and financial capacity to deal with their negative effects (in contrast to the Asian countries after the crisis of 1997).

* The link of proposed economic policies with *environmental* issues is rhetorically stated in the report, but it remains highly doubtful how the WB and IMF will deal with this vital issue in their country assistance strategies³⁵. Desk planning and writing is often far removed from actual practice. (The recent incident with the large dam in China - implementation of which would have caused irreparable damage to the environment - was only called off after huge external pressure and noise from non-World Bank circles).

* The nature of 'privatization' should be defined and scrutinized more closely. There is no politically unambiguous procedure of privatization. Some processes of privatization effectively concentrate assets into the hands of a new elite, which may be as restrictive to competition and access to resources such as capital and labour as the state-sponsored system. A critical analysis should be made of who privatizes to whom, and what are the long-term effects on the national economy in terms of the stated development goals?

* Massive investment in and innovative fiscal policy towards African *industry* remain a necessity, to produce qualitatively acceptable commodities for the local markets, absorb local 'excess labour capacity' and, due to lower prices compared to imports, stimulate local demand. For this sector, a measure of state protectionism is inevitable. One cannot deny African countries this strategy: it was also used by industrial countries in the past 150 years to build up their own national manufacturing economies.

³⁵ Most of these are confidential anyhow, but the few I saw do not show any major concern with safeguarding the African environment. However, environments in Africa have been deteriorating very fast in the past few decades, and to halt this process, more funds should be made available for this *as an integral part* of any development scheme.

* The WB should use more of its resources for joint venture *research projects* with scientists from both developed and African countries, in an ongoing, multidisciplinary dialogue, not only of economists.

* The debt problem should be addressed as an uintegral part of the strategies of political and economic reform in Africa, and the role of the IDA should be increased.

Appendix C

Summary of Chapters 5 and 7.

Henk Meilink

Chapter 5: Lowering Infrastructure, Information and Finance Barriers

The Bank notes that the current state of 'hard infrastructure' (transportation, water, telecommunications, ports, bridges etc.) and 'soft infrastructure' (the financial sectors) constitute serious barriers to development. Infrastructure should be considered as a crucial input to all other forms of production. Africa lags far behind other developing areas regarding quantity, quality, costs and equality of access. And the gap is widening. Inadequate maintenance has also rapidly reduced the value of past investments. It is estimated that one third of Africa's roads have eroded from lack of maintenance in the last 20 years. Compared to other regions, Africa's internal transport costs are notoriously high and a major cause for its lack of international competitiveness. This is due to a combination of low road quality, high fuel taxes, high imported vehicle costs and costly bureaucratic procedures. Road blocks and bribes further raise costs. But even more damaging for competitiveness is the unreliable delivery service of many African firms. This is often related to production stoppages and unreliable communication and information systems.

Inadequate infrastructure also impedes the integration of domestic markets. It condemns rural areas to isolation, subsistence-production and high transaction risks. Access to infrastructure services (especially safe water, electricity and sanitation) is more unequal in Africa than in any other part of the world. Better infrastructure and associated falling transport costs would create opportunities for high-value production, including non-agricultural produce. This could (according to the Bank) open-up 'the classic path out of poverty for rural households the world over' (p.139). Better rural transport and water infrastructure would especially benefit women as they bear the biggest transport burden.

The *causes* of lagging infrastructural provisions are manifold: the vastness of the continent with its sparse population mostly living far from the sea; widespread poverty and subsequent low effective demand; the large number of small states and a lack of regional cooperation; insufficient investment (in the 1990s new investments, including donor funds for infrastructure, fell dramatically) and government dominance in the management of infrastructural projects.

To improve the situation Africa must boost investment (\$18 billion a year, some 6% of GDP is required). The best pay-off will be not so much in new projects as in

investment in rehabilitation and maintenance. The Bank also recommends more private - sector participation because past government infrastructure investment often led to low efficiency and high costs. To attract more (foreign) investment, African governments need to improve the business climate. Contract enforcement, competitive taxes and adherence to transparent rules are all imperative.

Linking African countries with each other and the rest of the world can be improved by more intensified regional cooperation. Cross-border projects such as 'The Transport Protocol for Southern Africa and the Maputo Corridor' between Mozambique and South Africa are good examples.

Within individual countries, the best way to widen access to services is to enhance community and user involvement in infrastructure construction, maintenance and management. Local participation should be complemented by greater autonomy to ensure that projects meet local requirements, use local materials, technology and labor and can operate at low costs.

Furthermore Africa can also greatly benefit from the new information and communications technology. It is estimated that more than three in five Africans can currently be reached by radio transmitter networks. Telecentres where people can make phone calls and receive and send faxes and e-mails are on the increase. Internet growth in Africa has been spectacular although access is largely confined to capital cities. The Internet is an effective means of exchanging product information for African businesses. Farmers can also greatly benefit from rapid knowledge of market prices and agricultural research innovations. The potential of ICT in the education and health sectors is similarly very promising. It can make an important contribution to 'empowering people' (p.157). African governments must educate their people in the use of information and communications technology and use ITC to improve their own governance. Regional cooperation again is of key importance in achieving economies of scale and lowering costs.

The last theme taken up in this chapter is the necessity of a well-functioning financial system. An efficient system generates and channels foreign and domestic financial resources between savers and investors to high-return investments. However most financial systems in Africa are weak. Limited savings are mobilized and credit to the private sector is modest and costly. This can be largely attributed to the legacy of heavy intervention in the financial sector by African governments in past decades. Private banks were nationalized, state banks established, interest rates were administratively set and the allocation of credit controlled. 'This encouraged politically motivated loans and corruption, diverted funds from intended purposes and contributed to capital flight' (p.162). _

The reforms pursued in the 1990s attempted to rectify these problems by mainly focusing on liberalizing interest rates and removing ceilings and other controls on

credit allocation. But these reforms have been less successful than anticipated. The expected positive effect on savings mobilization and credit allocation has not materialized and governments remain reluctant to privatize state banks.

The main reasons for the disappointing results suggested by the Bank is the incorrect sequencing of reform policies with financial reform preceding macro-economic stabilization. The result was that interest rates were often liberalized before fiscal deficits were brought under control. The resulting higher interest rates increased internal government debt, crowded out private credit and contributed to further macro imbalances. Other explanations include: incomplete reforms with state banks continuing to lend to loss-making public firms; high transaction risks which induce banks to hold public debt securities at the cost of seeking out new private lending opportunities; and poor liquidity management. Evidently financial reform in Africa is a long-term process involving the development of complicated governance procedures and the development of trust and policy credibility.

To improve the financial system in Africa the Bank suggests focusing on a number of priorities including: increasing access to basic financial savings and credit services for small borrowers now neglected by the large commercial banks (the success of micro finance rural institutions is an encouraging recent development); intensifying links between formal institutions (mobilizing deposits) and informal micro finance agents (allocating these savings); improving accounting standards, disclosure requirements and contract law; and lessening the dominance of large commercial banks through increasing the number of 'non bank financial institutions' such as pension funds and insurance companies. And again the Bank advocates more regional cooperation arguing that pooling resources in a larger regional capital market would better attract domestic and international finance. Many national economies in Africa are too small to develop well-capitalized and productive financial institutions on their own.

Chapter 7: Diversifying Exports, Reorienting Trade Policy and Pursuing Regional Integration

Over the past 30 years Africa has lost out much of its share in global trade, even in traditional primary goods. Prospects for these goods are gloomy with their income elasticity typically low and their terms of trade declining and volatile. Africa has failed to achieve export product diversification on any scale.

To make African economies more competitive a number of policies are needed: sustained stable and competitive real exchange rates, the removal of the remaining anti-export bias, integration of trade reform policies with a national business plan for economic diversification, pursuing regional integration, increased participation in multilateral

platforms such as the World Trade Organization, and forge a supportive and consultative relationship between government and the private sector.

Economic diversification is needed in view of the rapidly growing urban agglomerations. Creating a productive urban economy is also essential to provide employment and ensured income for these future cities. But it is unlikely that successful diversification can be based solely on traditional agricultural exports and domestic markets. The focus should be on Africa's manufacturing export firms. When exposed to international competition, efficiency will increase and transfer of technology and management knowledge will enhance productivity gains for these firms.

The Bank's position is that while increasing traditional exports, Africa can diversify and be competitive 'across a broad range of products' (p.212). A prerequisite, however, is that government policies and institutions be improved and transaction costs lowered. Where economic management has improved, the Bank cites evidence of rapid growth in nontraditional exports: Ghana, Uganda, Madagascar and Mozambique in the 1994-1998 (reform) period. Horticulture, labor-intensive manufacturing and the tourist service industry are given as promising inroads.

To expand Africa's export potential a business plan is again required. The Bank discusses the components of such a plan and once more stresses the need for competitive and stable real exchange rates and 'a hospitable and attractive environment for foreign capital' (p.220). Furthermore Africa's trade taxes and restrictions (still high compared to other regions) need further reform. This issue is however not free from controversy. The Bank admits that African governments substantially depend on international trade taxes for their revenues (in particular taxes on intermediate and capital goods imports) and that trade liberalization can undermine the level of state revenues. It is therefore emphasized that 'efforts to reduce trade taxes cannot proceed independently of measures to strengthen other sources of fiscal revenues' and that further trade liberalization should be anchored in an overall export promotion strategy (p.222-3). The latter should include deepening regional integration and 'work within - and influencing - the evolving rules of the global trading system' (p.223). The Bank admits here (although in a somewhat obscure fashion) that country-based SAPs 'are not always compatible with regional coordination' (p.222). Yet it acknowledges that the case for economic integration in Africa remains compelling. Past progress has been disappointing largely because regional integration was conceived as an inward-looking instrument of industrialization by way of aggregating small national economies into regional markets.

Concerns about an implicit loss of national sovereignty and unequal growth and polarized industrial transformation within the region have also played a role. The Bank advocates a type of integration based not so much on freer trade but on better policy

coordination and collaboration between governments in joint regional investment projects (particularly in the transport, energy and communication sectors).

Within individual countries trade liberalization should also be accompanied by other measures beyond the narrow boundaries of the trade regime. These measures must attract substantial investment for export expansion. One of the main problems is the high cost of doing business in Africa. Weak business services, inadequate transport and communication infrastructure, restrictive regulations and rent-seeking, a lack of a supportive relationship between business and government and the lack of a skilled work force constitute other major impediments (p.224).

The chapter closes with a short discussion of Africa's future place in the world trading system. It predicts that as a result of continued global liberalization, 'there will be a continuing erosion of the preferences enjoyed by African countries' (p.231). And as the rule-making of the World Trade Organization (WTO) progresses, African countries will face large financial costs when complying to its myriad standards and obligations. The Banks warns that these standards have been developed 'with little input from the least developed countries and that there is the ever-present danger that they will be used to protect (rich countries') markets' (p.231). To safeguard African interests a sub regional pooling of regional integration schemes is of paramount importance.

Leiden, September 2000
