Number 108 February 20, 1990

CSIS AFRICA NOTES

A publication of the Center for Strategic and International Studies, Washington, D.C.

CENTER FOR STRATEGIC & INTERNATIONAL STUDIES

The World Bank's Africa Update
Something Old, Something New Something Borrowed, Something Blue

by Carol Lancaster

Sub-Saharan Africa: From Crisis to Sustainable Growth, published in November 1989, is the World Bank's most comprehensive assessment to date of Africa's postcolonial economic performance and future imperatives. The 300-page volume includes a vast array of specific information on Africa's achievements, failures, current problems, and future challenges. A wide selection of options and recommendations for policy changes and government actions to promote economic recovery and future growth is also presented. Although not a riveting read (what public document is?), the report is written in straightforward prose with a minimum of technical jargon. The combination of information, analysis, and statistical tables (*and* the manageable price of $12.95) makes this a widely useful document.

To say that the report is useful is not to say that it provides answers to the many issues raised in the formidable table of contents. The reader, having scrutinized a mass of data and analysis relevant to Africa's economic problems and needs, is left unsure of the Bank's view of the continent's long-term development prospects; what priority actions must be taken to promote that development; how countries of vastly different sizes, economic endowments, and levels of development should proceed; and what will happen if the myriad suggestions and recommendations in the report are not implemented. One way of organizing the report's contents is to draw on the traditional folk advice given to a bride about what to wear at her wedding: "something old, something new, something borrowed, something blue."

The Old

Two broad concepts are emphasized as critical to Africa's long-term development: the creation of an "enabling environment" and "capacity building."

In the discussion of "enabling environment" we encounter several old friends. Structural adjustment programs, which are now being implemented throughout much of sub-Saharan Africa, are praised as helping to ensure that government policies provide incentives for expanded production and investment. We are reminded, for example, that (1) exchange rates must be adjusted to reflect internal and external market realities; (2) agricultural prices must provide farmers with sufficient incentives to produce; (3) interest rates, wages, and other prices should reflect the supply of and demand for goods and services rather than social or political goals; and (4) regulations governing trade and investment should be liberalized to provide wider scope for private initiative.

Another old friend in the enabling environment discussion is the emphasis on improved infrastructure. Construction and, above all, the maintenance of roads, railways, markets, ports, and communications facilities are essential if farmers, manufacturers, and other critical contributors to a nation's economic health are to obtain needed inputs and to be able to market their products. In Africa today, one repeatedly hears stories of farmers responding to incentive prices by increasing their production only to find that roads have deteriorated so badly or transport is so scarce that the produce cannot be moved to market.

"Capacity building," the second theme around which much of the discussion in the Bank study is organized, is an elusive concept embracing several key obstacles to effective economic management in Africa. The basic obstacle is lack of an adequate pool of appropriately trained individuals to manage public- and private-sector institutions. Although progress has been made in expanding educational opportunities since independence, sub-Saharan Africa still lags behind other developing regions of the world in the percentage of its inhabitants with access to primary, secondary, and university education. In fact, the quality of education may even have declined as a side effect of the economic crises of the past decade.

Weak institutions—public and private, local, national, and regional—are another cited obstacle to effective economic management. In contrast to other parts of the developing world, for example, the contribution of agricultural research and extension to farm production in Africa has been dismayingly modest. This is not because African governments have starved such programs of resources; research and extension projects have been financed at levels comparable to those of other developing countries of similar size. The productivity impact failure is the result of institutional weaknesses—poor organization and erratic leadership, conflicting government demands on public bodies, substandard quality and treatment of staff, and a range of other, often intangible, implementation flaws. Development experts have long recognized the importance of strengthening institutions in developing countries. Missing (in practice and in the World Bank study) are new insights on how to remedy Africa's institutional weaknesses.

The New

For the first time, the World Bank has acknowledged in print that a crisis of governance is at the root of Africa's development problems. Too many government officials in too many African countries have used their positions to advance their own interests rather than the aspects of nation-building for which they have been assigned (or have taken) responsibility.

The political behavior of African officials is a sensitive issue that the Bank has heretofore avoided publicly addressing. Although the report does not dwell on the problem, corruption is cited as one of the manifestations of poor governance. In contrast to bilateral aid donors (some of which are already beginning to condition their loans on political change in Eastern Europe and say it may be only a matter of time before they do so in Africa), the Bank report skirts the issue of whether donors should condition their aid on political liberalization as well as economic liberalization. But the very fact that the report acknowledges the problem is important. For without more openness, accountability, probity, and reliability on the part of African governments, the region will never be able to attract the domestic and foreign investment critical to its successful adjustment and future growth.

Bringing the issue of governance out into the open may prove to be the most important contribution this World Bank study makes to debate on the African economic crisis.

The Borrowed

In its identification of past problems and recommendations for change in Africa, the Bank has taken a vacuum cleaner approach and borrowed ideas from just about everywhere. The coverage of facts and theses relating to population, health, education, agriculture, industry, public finance, macroeconomic policies, the environment, energy, the status of women, regional economic cooperation, savings, and foreign aid (as well as individual recommendations for action to support long-term growth) scattered throughout the book is encyclopedic.

What is troubling is not the number of problems identified or the range of recommendations offered, but

CSIS AFRICA NOTES is a briefing paper series designed to serve the special needs of decision makers and analysts with Africa-related responsibilities in governments, corporations, the media, research institutions, universities, and other arenas. It is a publication of the African Studies Program of the Center for Strategic and International Studies, Washington, D.C. CSIS is a private, nonpartisan, nonprofit policy research institute founded in 1962.

EDITOR: Director of African Studies Helen Kitchen.

SUBSCRIPTION RATE *CSIS Africa Notes* is sent airmail/first class to subscribers worldwide. The annual subscription price for 13 issues and occasional supplements is $48.00. Please make checks payable to: *CSIS Africa Notes*, Suite 400, 1800 K Street, N.W., Washington, D.C. 20006, U.S.A. Telephone: (202) 887-0219. Telex: 7108229583. Cables: CENSTRAT. FAX: (202) 775-3199.

ISSN 0736-9506

rather the absence of any effort to rank issues in terms of importance or to disaggregate problems and their solutions with respect to differing locales in what is an extremely diverse continent.

Which of the problems discussed in the report must be tackled first? Which can be left until later? Which goals are critical and which are merely desirable on equity or other grounds? Is upgrading the status of women, for example, as urgent in moving toward sustainable development as expanding primary education or health care?

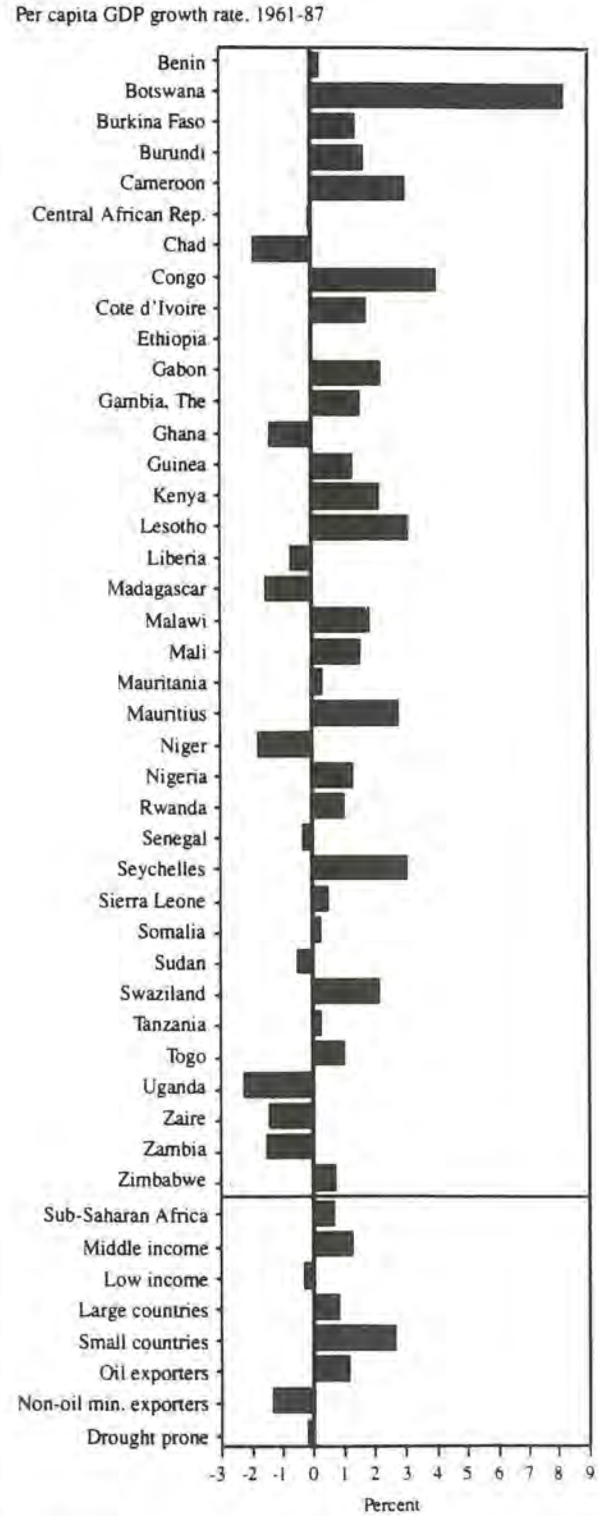
Are the same approaches to development appropriate for Nigeria (with its petroleum resources and a population of over 100 million) as for Niger (arid, landlocked, and with a population of 7 million)? The report hints that the countries of the Sahel face some of the poorest development prospects on the continent, but, apart from advocating out-migration of their populations, has little to say about development strategies appropriate to this group of states. In short, no road map is provided for making one's way through the book's forest of problems and recommendations.

There is some rather obvious diplomacy and fence-mending in the report's punctilious acknowledgment of ideas borrowed from the UN-financed (but OAU-affiliated and African-staffed) Economic Commission for Africa. Conspicuous credit is accorded to the ECA for its contributions to understanding of Africa's economic problems and challenges.

In early 1989, the Bank and the ECA produced publications that took differing positions on whether Bank-inspired structural adjustment programs were working in Africa. A brief report authored jointly by the Bank and the UN Development Program (*Africa's Adjustment and Growth in the 1980s*) suggested that economic indicators were more positive in countries whose governments had implemented structural adjustment programs than in those where governments had not implemented such programs. The Bank report appeared just as the ECA was holding a conference in Malawi to review a draft report it had prepared, entitled *African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation*, which suggested that structural adjustment programs were not working in Africa and that another approach, involving more state direction of the economy and a greater concern for social programs, was needed. The ECA subsequently produced yet another report, *Statistics and Policies*, specifically attacking the Bank's analysis. (For an earlier discussion of the Bank-ECA disagreement, see page 2 of "If the Cold War is Over in Africa, Will the United States Still Care?" by Martin Lowenkopf in *CSIS Africa Notes* no. 98, May 1989.)

Behind the early 1989 dispute was an element of competition based not on substantive differences alone but also on the question of which of the two institutions should speak authoritatively on African economic problems. The World Bank had taken on that role with its publication in 1981 of *Accelerated Development in Sub-*

Diversity of Economic Performance in Sub-Saharan Africa



–Sub-Saharan Africa: From Crisis to Sustainable Growth, page 18

Saharan Africa: An Agenda for Action (often referred to as "the Berg report"), which pointed to the policy failures of Africans as a major cause of their worsening economic crisis. (See "'Accelerated Development' Revisited" by Elliot J. Berg in *CSIS Africa Notes* no. 31, August 1984.) There have been a series of follow-up studies, of which *Sub-Saharan Africa: From Crisis to Sustainable Growth* is the most recent.

Because the Bank's large professional staff and resources, access to data, and ability to sponsor economic research are unsurpassed by any other institution (public or private, African or non-African), it has become the premier source of information and analysis on economic conditions in Africa. Moreover, the Bank has an exceptional degree of clout with African governments deriving from its own large aid program, plus its influence with other aid donors. (See "How the IMF and the World Bank Affect African Decision Making" by Carol Lancaster in *CSIS Africa Notes* no. 97, April 1989.) The ECA's challenge to the Bank's findings on structural adjustment reflected the frustration, anger, or sullen resignation felt by many Africans who believe that yet again outsiders—this time the representatives of an international institution—were telling Africa what to do.

Since the early 1989 dustup between the ECA and the Bank, the latter is clearly trying to avoid giving any impression that it does not take seriously ideas and proposals made by the ECA and other major African institutions.

The Blue

What is blue about the new report is the depressing effect it has on those readers (including this writer) who genuinely care about Africa's future. There are so many difficult streams to cross if Africa is to achieve even minimal growth over the decade ahead. Under the best of circumstances, the Bank concludes, the outlook for a major improvement in the standard of living and economic prospects of the average African is less than encouraging.

For African countries to achieve 4 to 5 percent growth rates (only 1 or 2 percent above population growth rates), investment would have to rise from its present average of 16 percent of gross domestic product to 25 percent of GDP. Savings would have to rise from 13 to 22 percent of GDP. Foreign aid would have to increase from a projected $15 billion per year in 1990 to $22 billion per year by 2000 and be accompanied by a significant amount of debt relief. And if the new investment is to contribute to increased growth, it will have to be far more productive than investment in Africa has been over the past several decades.

Even if these conditions are met, the report argues, improvements in the standard of living of most Africans during the 1990s will not be dramatic. The standard of living of the better-off segments of various countries' populations would continue to fall while the incomes of poorer, rural Africans would rise by an average of only 2 percent per year.

The Bank study concludes with the observation that "there is a fine margin between modest growth with improved human welfare and a spiraling decline that can easily become politically explosive." One is left with the sense that Africa is close to the abyss, but it is unclear just how close.

In Sum

Rephrased in medical terminology, what the report seems to be saying is that much of Africa is in economic intensive care. Some countries are taking the prescribed medicine; others are not. Recovery, even for those taking the medicine, has not been as rapid or as extensive as was hoped; the infection is clearly more serious than originally diagnosed. The report catalogues an assortment of ills, prescribes a wide range of treatments, warns that these treatments must continue over an extended period, and concludes that, even so, the prognosis is uncertain at best. Meanwhile, a number of the attending doctors (including those in Washington's Foggy Bottom and on Capitol Hill) have shifted their major attention to other cases, leaving the World Bank and International Monetary Fund in charge as head physicians.

Carol Lancaster is an assistant professor in the School of Foreign Service at Georgetown University as well as a visiting fellow at the Institute for International Economics (Washington, D.C.). Her previous contributions to *CSIS Africa Notes* include "How the IMF and the World Bank Affect African Decision Making," issue no. 97 (April 1989), "U.S. Aid to Africa: A Time for Reassessment?," issue no. 91 (October 1988), "U.S. Aid to Africa: Who Gets What, When, and How," issue no. 25 (March 1984), and "ECOWAS: Problems and Prospects," issue no. 4 (October 1982).