DESIGNING FOR DEVELOPMENT IN AFRICA: THE ROLE OF INTERNATIONAL INSTITUTIONS

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[1] The views expressed in the paper are the author's and do not necessarily reflect those of the Commonwealth Secretariat.

EXECUTIVE SUMMARY

African development challenges remain large in the new millennium. A combination of economic, social, political, environmental and institutional constraints continue to defy development efforts by African countries and their donors. To understand why little progress has been made, one needs to look at the actions and motivations of the main players on the African development arena.

Three key players have much to ponder about: African politicians have often seemed more concerned about maintaining a grip on power than development of their economies. International institutions have struggled to balance the interests and expectations of their main shareholders with those of African countries. Civil society both local and external has been concerned to raise the profile of broader development issues such as empowerment and poverty alleviation relative to issues focusing on economic growth. There are of course other players, including the general public and various interest groups, most notably business associations and professional associations. However, there is little doubt that the most powerful "developers" are the international financial institutions (IFIs), followed by governments and civil society.

With attention now focused on the New Economic Partnership for African Development (NEPAD), the question arises as to whether each of these participants is ready to bring new and relevant approaches to the African development arena. This paper will start by looking at signs for change in the approaches of key players and then consider possible "preconditions" for future success. It will be suggested that without a minimum level of commitment among these players, progress is unlikely.

Equally important, African leaders need to define precisely what external assistance they require and this must be based on a clear definition of national goals and an exhaustive mobilisation of national resources and capacities. International assistance must be provided in a manner that enhances the building and use of African human resources and weans African countries away from aid dependence. In addition, international institutions must work with the grain of globalisation so that African efforts at integration are not hampered by protectionist policies on trade or large unsustainable debt burdens. On the surface, NEPAD addresses these problems, so the paper will assess its chances of success.

INTRODUCTION

Despite years of implementing market-oriented reforms aimed at improving both the macro- and microeconomic environment, there continues to be depressing levels of deprivation across Africa. This is easily demonstrated by statistics on key measures of economic well-being. Economic growth, which is supposed to generate the resources for investments in education and health fell by 1 percent during the period 1975-99; the adult literacy for sub-Saharan Africa (SSA) (60 percent) stands well below the developing country average (73 percent); life expectancy at birth is still only 48 years, compared with over 60 years for other developing countries, and is set to go down further due to the HIV/AIDS pandemic; and the number of people on less than US$1 a day is as high as 46 percent.

So, why has Africa's economic performance been so low? With attention now focused on the "home-grown" NEPAD initiative, it is appropriate to ask whether anything has changed in terms of the perspectives and approaches of the main players. It is also an opportunity to explore the likely prospects of success of NEPAD and other current and proposed frameworks for African development.

CONTEXT AND ASSUMPTIONS

At the policy level, the conventional wisdom is that there is a broad measure of agreement on what needs to be done about economic growth and development in Africa. The core message emphasises higher economic growth, fiscal and monetary discipline, trade openness and deeper integration into the world economy. In recent years, other issues have been added to this list, in particular good governance, sustainable development and poverty alleviation. The old debate on "Markets versus States" is no longer a major issue, in part because the emphasis has shifted to capacity and institution building. This has led some observers to note that current development thinking restricts its meaning to the practice of development. The policy context is therefore clearly that of neo-liberal economics, with most critics of current development thinking working within that mould rather than outside as in the past.

But, why given the poor record of Africa are so few people looking at alternatives to current development thinking and practices. One explanation as already indicated is that development has become that which development agencies are doing. In other words, less attention is given to vision, processes and alternatives. The second reason contradicts this position. In their analysis of the World Development Report 2000, Ravi Kanbur and separately Robert Wade point to implicit disagreements among the key players regarding perspectives and frameworks. One way of understanding these disagreements is to look at the assumptions of key players.

An obvious assumption underlying IFIs and donor country approaches is that there is currently no alternative to "market-friendly" development or "neo-liberal economics". This seems to have been accepted by African governments although they are uncomfortable with some aspects of this position, in particular the variety of conditionalities that have to be satisfied. On their part, international financial institutions and donor governments have tried to respond to some of the criticisms of this basic approach, for example by incorporating poverty alleviation and good governance in their African development programmes.

Though African governments have also been persuaded that there is no alternative to the current approach to development, they nevertheless are getting increasingly concerned that they are being left out of, and finding it more difficult to be drawn into the globalisation process. This negative perception has been reinforced by actions taken by industrialised countries. Trade preferences are being progressively phased out. Commitments undertaken by industrialised countries in the Uruguay Round have fallen short of implementation. The limited gains by those countries that have undertaken market-opening reforms also mean that African governments are desperate for quick results. One unfortunate consequence of this is that there is not many signposts/guideposts to the future. It is as if African leaders have given up on the "visioning" process. This clearly is one reason why NEPAD has attracted so much attention.

Civil society has sought to promote a broader concept of development incorporating empowerment of the people, poverty alleviation, sustainable development and good governance at both the national and multilateral level. Unlike IFIs and donors that have tended to pick and choose who, apart from governments, they would interact with, civil society has been promoting the greater involvement of people, networks, cooperatives and trade unions. The assumption is that if these groups of people are given a voice in policy making then their concerns cannot be ignored and development will be facilitated. Empowerment will translate into security and opportunity. It is through the efforts of civil society that the World Bank adopted poverty alleviation strategies. However the basic assumptions of the two groups could not be more different. There is also no doubt that civil society has raised the quality of debate at the national level and at the multilateral level has sometimes been more effective in articulating the problems of development. Growth is essential for poverty reduction and income inequality may not be bad for growth

ISSUES AND ACTORS

African Governments

The central issues for African governments could be summarised in terms of the vision, management and practice of development. First, the "vision thing": very few African leaders have articulated a vision of where they would like to take their countries, in the same way that governments in countries like Singapore and Malaysia do. The absence of a clear sense of direction is one reason why African countries feel so threatened by globalisation. Beyond concerns about marginalisation under globalisation, the absence of a strong sense of direction also means they do not have the plans and the means to harness the benefits of globalisation. It also means that once corruption and rent seeking behaviour take root, they have a far more corrosive effect than they would in a country with a strong sense of direction.

There is a great deal that African governments could learn from South East on this issue. It is generally agreed that rent-seeking behaviour is a feature of both South East Asian and African economies. However, South East Asian leaders have understood that growing rents require growing economies, so that when rent-seeking threatens sound economics, the rents are curbed (Lindauer and Roemer). This is why development economists like Robert Wade have described these countries as "developmental states". In other words, their governments so value economic development that they are willing to risk political capital to achieve economic growth. This difference in perspective and approach between the two regions is corroborated by anecdotal evidence. The project cycle for investments in Africa tends to be longer than in South East Asia. A major reason for this is that the project approval process in Africa involves numerous government agencies and individuals, each of whom may ask for a small kick back. In South East Asia, the size of the kick back demanded may be many times larger, however, the government still strives to ensure that the project approval process delivers the project in good time, reflecting the overriding importance of development.

The management of economic development is a second major issue for Africa. It is mainly in the hands of political "apparatchiks" rather than economic professionals. In fact political ministries, most notably the Ministry of Foreign Affairs often take precedence over the Ministry of Finance or Economic Affairs. Yet these are countries with little or no influence in international affairs. This has two unfortunate consequences. First, political apparatchiks tend to operate within a short time horizon, while business people and other professionals take account of both the short and long term. The problem is accentuated by the severity of economic problems in Africa, which often means that considerations of survival from year to year and even day to day crowd out the long view. In economic diplomacy, this has sometimes been reflected in negotiating positions heavily influenced by political rather than economic considerations. This failure to identify priorities and develop strategies in terms of the short and long term results in today's constraints remaining as those of tomorrow.

A third problem is that African countries often find themselves having to adopt economic programmes developed elsewhere because they do not have their own well thought-out programmes. As already indicated, the hidden assumptions of outside advisers may not reflect the reality in African economies. The leading outside institutions and experts tend to reduce development to technical ratios and parameters. While these are important in identifying short term constraints and degrees of freedom, they do not always provide policy makers with the most relevant and practicable solutions to problems. Heavy reliance on outside expertise also limits opportunities for learning from one's own mistakes, a vital element in all learning. Again South East Asia's reliance on a well trained, well paid economic bureaucracy has important lessons for Africa.

A fourth issue concerns the actual practice of development in Africa as distinct from the visioning and management of development. African countries have obviously failed in this sphere in large part for reasons already discussed in preceding paragraphs. A key issue here is that Africa is not fully utilising all the resources available to it. A key resource being wasted is labour, either because the labour force is inadequately trained or when it is trained the remuneration offered is so low that most of the trained labour force leaves the country. Another problem is that even when a vision has been articulated, the linkages between vision and practice are very weak. Policies also lack consistency, with instances of policy reversal too frequent. A particularly serious weakness in the age of globalisation is that there is a tenuous connection between domestic and international policies. African trade illustrates the problem well. Some observers have noted that there are still a lot of trade restrictions between neighbouring African countries than exist between those countries and Europe.

NEPAD

NEPDAD is an attempt to pursue Africa-wide development strategies, that are situated in the context of globalisation. It is founded on a few key principles: African ownership and leadership; promotion of investment through the creation of an attractive investment climate; efficient and effective mobilisation, allocation and management of Africa’s own resources for self-development; acceleration of economic integration; and negotiation of partnership with industrialised countries that addresses anomalies in trade, investment and capital flows.

None of this is unexceptionable because African governments have committed themselves to the same principles at various stages in the past. What is perhaps different is the explicit recognition of the context of globalisation. Equally important is the implicit recognition of the fact that Africa needs to make every effort to manage well those things over which it has control, principally the quality of its economic, political and legal institutions and the vibrancy of its civil society organisations. In part, this reflects the convergence in thinking regarding the main elements of development. But it also reflects the impact of globalisation on African governments. They are worried about marginalisation because globalisation has created “hierarchies of production”, with a great deal of international production organised on a regional basis. They have realised that most discourses on globalisation are punctuated by discussions on APEC, EU, FTAA, MERCOSUR and NAFTA. The implication is that each region comes to the global table having set its house in order. This leads one to ask the question, how likely is it that NEPAD will accomplish this task or meet its objectives.

As has already been indicated, NEPAD marks a break with the past in at least two respects: it articulates a clear vision of Africa’s position in the world, and recognises the importance of effective mobilisation, allocation and management of Africa’s own resources rather than just looking outside for assistance. However, questions must be asked as to whether NEPAD’s objectives can be met. Its design and approach may mean that the continent will still be unable to break from past constraints. One problem is its complex structure and broad coverage of issues, which must inevitably mean coordination problems. Given the poor quality of Africa’s bureaucracies and institutions, a simpler structure focusing on a few key priorities might have been preferable.

It could also be argued that the approach taken (top-down) cannot be expected to deliver. To see why, it might help to place the NEPAD initiative in its historical context. The idea of an African Union is of course not new. In fact the Lagos Plan of Action had the same goals. Then it was felt the best route to economic integration was through regional economic blocs. Thus, African economic groupings such as COMESA, ECOWAS UMEOA were seen as the building blocs for an African Economic Community. The record of these organisations has generally been poor. While NEPAD commits governments to acceleration of economic integration, there is no indication that the pace of regional economic integration will be accelerated. A top-down approach is unlikely to enhance this process. One also detects ambiguities in the approach to regional integration by some of the leading players in NEPAD. For example there are those who would like to see South Africa play a far more decisive role in integration efforts of SADC. South Africa has also negotiated a free trade agreement with the EU, which some of its SACU partners criticised as lacking in transparency and consultations. The point is, if the main promoters of NEPAD are ambivalent about the integration process in their regions, it may be unrealistic to expect NEPAD to achieve its goals.

In challenging the general perception that NEPAD represents some kind of new dawn of home grown policies in Africa, situated in the global context, one is not seeking to diminish this important initiative, rather it is to inject a note of realism in the debate. Of course the assumption by NEPAD architects is that at the level of each country, the launch of the initiative will be followed by the development of strategies that are context specific. However, this assumption is unrealistic on several counts: there is simply not the capacity to coordinate actions under NEPAD and those that may be required under IMF/World Bank programmes (e.g. PRSPs), the WTO and ACP/EU relations as well as regional integration programmes, despite the fact that NEPAD promoters have worked hard to bring these institutions on board. Some countries are likely to view NEPAD through its political dimension only, which might lead them to conclude that what they have to do to ensure that they are not excluded from aid flows channelled through that framework, thereby undermining the initiative.

Given the sceptical note of this section, it is perhaps appropriate to close it by identifying a few priority actions that African governments might take in the context of NEPAD.

- Regional economic integration remains vital to Africa's integration in the world economy. The leading economies in Africa must therefore make every effort to promote integration in their regions

- Priority should be given to an exhaustive mobilisation of all domestic resources so that external assistance has a strong foundation on which to build.

- A strong sense of direction (vision) is required as this is the only way that governments can move to truly own their development strategies. Some of these requirements could be met through scenario planning, focusing on the different development strategies and the financial and human requirements this entails. Consideration could be given to alternatives to the current consensus. Some observers have warned that globalisation might increase human made and human capital at the expense of social and environmental capital (pearce). A more fruitful approach would be to make the whole asset base increase without any one asset declining. Given Africa's abundant natural resources, this is an approach that it is worth considering.

- A broad-based approach to development is essential. A country's assets include not all the physical and financial but also the human and social capital. These two must be developed and valued. Africa has been very wasteful of its human capital, particularly that which is skilled. Its attitude towards social

capital, defined as the positive relationships between individuals and between individuals and institutions, relationships which generate social cohesion and reduce discord and distrust, has been parochial. To a large extent, the quality of governance in Africa will be determined by the success achieved in rebuilding social capital or trust.
- African governments should draw the right lessons from other parts of the world. One such lesson is that an unmistakable commitment to development can send the right signals to investors, society and other important partners in development.

Civil Society

Civil society is playing an increasingly important role in development. This largely reflects the current consensus regarding development among world elites, international donors, government leaders and opinion formers – a consensus that acknowledges the importance. On its part civil society has worked hard to raise the profile on issues such as debt relief, poverty alleviation and the injustices of the international trading system

However, in discussing the role of civil society, it is important not to restrict its definition to NGOs. This is important because the high profile of Northern NGOs and the issues they choose to highlight has in some cases reduced the effectiveness of civil society as whole at the national level. Many African governments view NGOs and other civil society groups with suspicion. Local cooperative groups, clubs and communal societies must be given space within which to operate rather than be crowded out by Northern NGOs. For it is up to these local groups to build the social capital that African countries so desperately need. Ultimately transparency and good governance can only be guaranteed by the rebuilding of trust among the African people and their governments

International Institutions[2]

International institutions have had a pervasive influence in African development thinking. They have been central players in the numerous reconfigurations of policy that have taken place in Africa in the last 40 years. A great deal of that influence has been criticised. Critics have had two major concerns. One criticism is the uniformity of policy prescription, the "one-size fits-all" approach traditionally associated with IMF/World Bank programmes. While these organisations have tried to respond to this criticism, critics point out that this approach is making serious inroads into the trade area, where the TRIPS agreement is cited as the best example. A second related criticism is what Ravi Kanbur has described as "policy messaging", which is the practice of "getting out a hard and sharp message in support of one's own agenda for fear that acknowledgement of qualifications would be taken as a sign of weakness by the other side". This leads to a "line in the sand" mentality in negotiations.

Both approaches have been evident in the debt, finance, trade and environment areas. As Kanbur points out prior to 1995, the IMF/World Bank and donor governments were firmly opposed to debt relief for the poorest countries (although some developed

[2] Includes donors

countries, notably the UK had begun to push for change) mainly because they feared that any opening would be the thin end of the "thin end of a wedge" through which large scale write downs would break open the international financial institutions. The fact they shifted their position is in part a tribute to the campaigning power of civil society. However, the hard policy messaging before 1995 sowed the seeds of mutual suspicion that still affect the current dialogue on debt.

Another good example of policy messaging and a "one-size-fits all" approach is the reaction of the IMF to the Asian financial crisis. It continued to argue that capital market liberalisation was not the issue and that problems occurred in countries that maintained unnecessary controls. According to Stiglitz, this position was maintained either "as a matter of ideology or of special interests, and not on the basis of careful analysis of theory, historical experience or a wealth of econometric studies".

In the trade area, pressure by industrialised countries to negotiate agreements on issues like investment and competition policy is seen by some as an attempt to impose the uniform rules or standards across the world to the detriment of poor countries. On the other hand, policy messaging has meant that industrialised countries have been unwilling to engage seriously on issues of implementation raised by developing countries. Doubts about the future work of the WTO, which surface from time to time, should be seen against this background, whereby industrialised countries seem keen to push one model of agreement on new issues, while resisting changes in areas that developing countries have some comparative advantage.

Part of the problem in all three cases is that policy messaging is a negotiating tactic and because countries are engaged in negotiations almost on a continuing basis, they remain in a negotiating mode even when dealing with the poorest countries, with little or no negotiating clout. At a general level, it is a form of conditionality. This policy message coupled with the variety of policy advice that has been given to Africa has created a kind of policy fatigue among African bureaucrats. Some of them do not even pretend that they have some responsibility in making development policy for their countries.However, there is increased recognition of the particular problems of African countries, most notably the absence of markets or weak functioning of existing ones. This is explains the adoption of poverty reduction strategies.

This discussion leads us to make the following suggestions about how international institutions should help African countries.

- The need for policy messaging in dealings with African countries should be re-examined. These countries very rarely offer counter arguments to programmes presented to them. This means hard and sharp messages could easily make their situation worse. In a recent article in the Economist, it was noted that Zambia had privatised well over 250 public enterprises out of a total of about 280 public enterprises. This does not seem to have improved Zambia's prospects. Instead, because the privatisation included agricultural marketing boards, collection of grains from remote parts of the country has become difficult. Private traders have been reluctant to move into these remote areas because of the costs involved.

- While helping countries deal with the short run effects of globalisation, donors and international institutions must encourage African to take a long view of development. Frequent policy changes by donors and international institutions have only served to further confuse the policy debate in Africa

- International institutions must work with the grain of globalisation. In international trade, that means substantial reductions in industrial and agricultural (protection by developed countries) which harms developing country exports. Such protection on agriculture is estimated to cost the developing world at least $100 billion per year, twice the flow of gross official aid.

CONCLUSION

Development encompasses vision, strategies, processes and practice. None of these elements should be seen as more important than the others. It has been argued here that the apparent consensus on what constitutes development may have tilted the balance towards practice and processes, which is why NEPAD has been welcomed. But this important initiative may run into some of the old problems experienced in the past, such as coordination problems, a lack of political will, and the demands of external partners. Besides balancing the interests of different participants in development is unlikely to be easy in the presence of social fragmentation. Thus, governments have to appreciate the important role of social capital. Managing globalisation will become easier if this is done in the context of an inclusive approach, because it is the different sections of society that interact with it. Starting by making a much a better use of available resources in Africa will help.

Perhaps the greatest precondition for success is honesty on all sides. African governments must genuinely believe in social cohesion and the development of their countries. International institutions must resist the temptation of creating more conditionalities as these give a confused messages. And civil society, particularly NGOs from the North, should promote a deeper involvement of ordinary people in development.