THE WORLD BANK AND ITS CRITICS:
THE CASE OF SUB-SAHARAN AFRICA

by

David F. Gordon
Joan C. Parker

CENTER FOR RESEARCH ON ECONOMIC DEVELOPMENT
The University of Michigan
Ann Arbor, Michigan 48109

Discussion Paper No. 108 March 1984
THE WORLD BANK AND ITS CRITICS:
THE CASE OF SUB-SAHARAN AFRICA

by

David F. Gordon*
Joan C. Parker**

Discussion Papers are preliminary materials circulated to stimulate discussion and critical comment. References in publications to Discussion Papers should be cleared with the author to protect the tentative character of these papers.

* * *

*Assistant Professor of International Relations, James Madison College, Michigan State University, and Assistant Research Scientist, Center for Research on Economic Development, The University of Michigan.

**Assistant Editor, Washington Report on Africa.
ABSTRACT

In 1981, as Sub-Saharan Africa continued in its downward spiral of economic demise, the World Bank issued a major study on the causes of Africa’s economic woes and potential short-term steps to alleviate them. The World Bank’s Accelerated Development in Sub-Saharan Africa: An Agenda for Action (frequently referred to as the World Bank Report), has since become a focal point for international debate about contemporary issues in African development. In this paper, the authors dissect a number of the major controversies engendered by the World Bank Report, by presenting and evaluating the differences between the authors of the Report and critics of the Report.

The authors discuss five different broad areas in which the World Bank Report has been criticized. The first is its overall assumptions and philosophy, which critics have argued is overtly Western-oriented and counter to African goals of self-reliance. The second is the explanation presented by the Report for the causes of Africa’s economic crisis, focusing on policy mistakes by African governments. The third area of criticism is the broad macrostrategic prescriptions of the Report focusing on export-oriented agricultural production and a restrained public sector. The fourth is the set of specific policy interventions proposed by the Report, which put almost exclusive emphasis on various price policy adjustments. The final area in which the Report has been criticized is that of administrative feasibility, whether a program such as that proposed can actually be implemented given the sociopolitical realities of most Sub-Saharan African countries.

The authors conclude that, in general, critics of the World Bank Report have often overstated the problems in the document and have sometimes misinterpreted what the Report actually says. On the other hand, several of the points made by the critics highlight real flaws in the World Bank Report. Most important among these are the Report’s undue optimism about the international trade environment and the likelihood for increased foreign assistance to Africa from the industrialized countries, the tendency of the Report to overgeneralize on both the sources of economic distress and potential solutions, the underestimation of the negative impact of external factors, and the Report’s too narrow focus on trade and exchange rate policy as the key to a short-term recovery strategy.
En 1981, alors que l'Afrique sud-saharienne a accentué sa perte de vitesse économique, la Banque Mondiale a publié les résultats d'une enquête importante sur les causes de la crise économique en Afrique et la possibilité de prendre des mesures atténuantes à court-terme. Le développement accéléré en Afrique au sud du Sahara, (souvent appelé "le Rapport de la Banque Mondiale"), s'est fait l'objet d'un débat international concernant les problèmes de développement actuels en Afrique. Dans ce rapport, les auteurs dissèquent plusieurs controverses fondamentales engendrées par le Rapport de la Banque Mondiale, présentant et analysant les différences d'opinions des auteurs et des critiques du Rapport.


Les auteurs constatent que, en général, les critiques du Rapport de la Banque Mondiale ont souvent exagéré les problèmes du document, et qu'ils ont parfois mal interprété son vrai contenu. Par contre, plusieurs arguments offerts par les critiques font ressortir des points faibles, dont les plus importants sont les suivants:

D'abord, le Rapport fait preuve d'un optimisme peu justifié en ce qui concerne le climat du commerce international et la probabilité d'une augmentation de l'aide provenant des pays industrialisés. Ensuite, le Rapport
tend à faire trop de généralités quant aux causes de la crise économique et aux solutions possibles. D'autre part, le rapport sousestime l'impact négatif des facteurs extérieurs. Enfin, le Rapport insiste trop sur la politique du commerce et du taux de change en tant que facteur-clé d'une stratégie de redressement à court-terme.
### TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABSTRACT</td>
<td>iii</td>
</tr>
<tr>
<td>INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>The Demise of Optimism</td>
<td>2</td>
</tr>
<tr>
<td>Origins of the Agenda</td>
<td>3</td>
</tr>
<tr>
<td>Categorizing the Critics</td>
<td>4</td>
</tr>
<tr>
<td>THE AGENDA'S PHILOSOPHY AND BROAD APPROACH</td>
<td>7</td>
</tr>
<tr>
<td>The State and The Market</td>
<td>8</td>
</tr>
<tr>
<td>&quot;Basic Human Needs&quot; and The Agenda</td>
<td>10</td>
</tr>
<tr>
<td>The Agenda and the &quot;Lagos Plan of Action&quot;</td>
<td>11</td>
</tr>
<tr>
<td>WHAT WENT WRONG? THE AGENDA'S EXPLANATION</td>
<td>12</td>
</tr>
<tr>
<td>International Factors in Africa's Crisis</td>
<td>13</td>
</tr>
<tr>
<td>An Overexpanded Public Sector?</td>
<td>15</td>
</tr>
<tr>
<td>BROAD STRATEGIC RECOMMENDATIONS</td>
<td>17</td>
</tr>
<tr>
<td>The Primacy of Agriculture</td>
<td>17</td>
</tr>
<tr>
<td>Exports and Development</td>
<td>19</td>
</tr>
<tr>
<td>The Role of Private Sector</td>
<td>23</td>
</tr>
<tr>
<td>What Role for the International Community?</td>
<td>24</td>
</tr>
<tr>
<td>SPECIFIC POLICY RECOMMENDATIONS</td>
<td>25</td>
</tr>
<tr>
<td>Getting the Prices Right</td>
<td>26</td>
</tr>
<tr>
<td>Exchange Rate Policy</td>
<td>28</td>
</tr>
<tr>
<td>Nonprice Incentives</td>
<td>28</td>
</tr>
<tr>
<td>CAN THE AGENDA BE IMPLEMENTED?</td>
<td>29</td>
</tr>
<tr>
<td>Economic vs. Political Rationality</td>
<td>30</td>
</tr>
<tr>
<td>Conditionality</td>
<td>32</td>
</tr>
<tr>
<td>CONCLUSION</td>
<td>33</td>
</tr>
<tr>
<td>Summarizing the Debate</td>
<td>34</td>
</tr>
<tr>
<td>An Historical Parallel</td>
<td>36</td>
</tr>
<tr>
<td>NOTES</td>
<td>38</td>
</tr>
</tbody>
</table>

vii
THE WORLD BANK AND ITS CRITICS: THE CASE OF SUB-SAHARAN AFRICA

INTRODUCTION

As African nations moved towards independence in the late 1950's and early 1960's, an atmosphere of heady optimism engulfed the continent. Kwame Nkrumah declared, "Seek ye first the political kingdom, and all other things will come to ye," reflecting the general belief among Africa's first generation of leaders that once the banners of the departing colonial powers were taken down, Africa would be able to speedily take its place as a dynamic part of the growing world community. Much of this enthusiasm was shared by Western foreign policy and development officials. While the hard core of departing colonial officers predicted stagnation and disarray, American aid officers and the World Bank, both turning their attention to Africa for the first time, saw tremendous opportunities for development given the buoyant international market for primary commodities, the release of energy inspired by decolonization, and the pragmatic developmental orientation of Africa's leaders. This shared optimism about Africa's future created the basis for a cooperative relationship between newly independent African states and the international community, which was reinforced by Africa's dire shortage of trained manpower and capital.

But Nkrumah's dictum proved to be tragically mistaken. Capturing the political kingdom, except in southern Africa, was a relatively easy task; making that independence meaningful through successful national integration and effective economic development has proven to be particularly difficult. In the 1960's, while the per capita Gross Domestic Product (GDP) of Sub-Saharan African countries did grow at one and one-half per cent annually, this lagged substantially behind the 3 and one-half per cent annual average growth rate in developing countries taken as a whole and was also lower than the two percent average rate achieved by low-income countries.1 Politically, in the late 1960's, Africa was rocked by a series of military coups and the beginning of what Nelson Kasfir has called the general "shrinking of the political arena," as African leaders sought to more effectively consolidate their political power.2
The Demise of Optimism

If the 1960's were a disappointing decade for Sub-Saharan Africa, the 1970's were catastrophic. While a small minority of African states were able to sustain economic growth -- Nigeria and Gabon through skyrocketing oil revenues; Kenya, Ivory Coast and Malawi by maintaining high levels of foreign investment; Tanzania, at least until 1978, through a combination of high levels of foreign aid and austere consumption -- the overall picture was bleak. In aggregate terms, per capita GDP stagnated, despite the fact that domestic investment levels, if anything, increased. Hit hardest of all was the agricultural sector, where per capita aggregate output declined at 1 percent per annum. Agricultural exports, which had expanded by 2 percent per year in the 1960's declined at an ever increasing pace, so that by the early 1980's, exports were lower than 1960 levels. The combination of increasing food imports due to falling agricultural production, lower export earnings and the dramatic oil shocks of 1973-74 and 1979-80 generated severe balance of payments crises for virtually all oil-importing African states and drove a substantial number into a vicious cycle of stagnation and decline. Many states' political and organizational structures, fragile at the start, were further weakened under the impact of economic and fiscal crises.

The failure of African states to achieve the optimistic goals that were so widely shared at independence has generated a double retreat towards pessimism, both by Africans and by Westerners involved in African development. The World Bank's World Development Report 1980 stated that Sub-Saharan Africa "has the most disturbing outlook" of any region in the Third World, and is likely to face further decline in per capita income in the 1980's. Within Africa, the retreat into pessimism has particularly focused on the obstacles within the existing international order that African states see as blocking development opportunities. The "dependency" perspective, inspired by Latin American writers such as Andre Gunder Frank and Raul Prebisch, has become the new orthodoxy in Africa although it is expressed in a number of forms and to differing degrees. Within African governmental circles, this perspective has been most cogently expressed in the preamble to
the Lagos Plan of Action, approved at the 1980 meeting of the OAU Heads of States and Governments:

(T)he unfulfilled promises of global development strategies...have made the continent stagnate and become more susceptible...to the economic and social crises suffered by the industrialized countries... Faced with this situation,...we resolve to adopt a far reaching regional approach based primarily on collective self-reliance.6

The demise of optimism and, especially, Africans' growing distrust towards the international environment, served to partially erode the basis for cooperation between African states and international development agencies. This was despite the fact that international agencies, especially the World Bank and the International Labor Organization, were influenced by some of the same intellectual trends. The rise of the "Basic Human Needs" approach to development within these agencies in the 1970's was their response to the empirical and intellectual currents of the time. In fact, international agencies became increasingly involved in Africa throughout the 1970's, shifting the focus of their activities away from "traditional" modern sector, infrastructural, industrial and export-generating projects towards rural-based poverty-alleviating and food-generating projects. Despite international agencies' increasing concern with Africa and their shift in focus towards the rural areas, these sectors have continued to stagnate.

Origins of the Agenda

This was the context in late 1979 when the African Governors of the World Bank, alarmed at the growing balance of payments crisis and the seemingly dismal prospects for African development, asked the Bank to prepare a special report reviewing the causes of Africa's economic malaise and offering suggestions on appropriate measures to turn the situation around. The Bank's response in 1981 to the African Governors' request was released under conditions of emerging global recession and ever worsening economic conditions across Sub-Saharan Africa. Accelerated Development in Sub-Saharan Africa: An Agenda for Action (hereafter we shall refer to it as the Agenda) was developed out of conclusions drawn from the macroeconomic evidence of twenty years of
African independence and out of the experiences of the World Bank during that period, especially the frustrations over the very limited impact of most of the "Basic Human Needs" projects in the middle and late 1970's. The Agenda located the roots of Africa's poor economic performance in a confluence of factors including "structural" problems emanating from the environment and historical circumstances and adverse trends in the international economy, but paid special attention to policy errors by African governments. As a short-term solution, the Agenda proposed a series of structural adjustments centered around price incentives for exports and food crops, more effective public sector management and greater utilization of private entrepreneurship. The Agenda stressed that for this program to be feasible and effective, it would have to be supported by an expansion in the quantity, and improvement in the quality, of foreign assistance from the developed world.

The Agenda has served as a focal point for recent debate on a wide range of issues within Africa's development quest. The often shrill tone of this debate reflects the continuing tensions in North-South relations, the distrust of international financial institutions growing out of the "dependency" world-view, and the growing frustration at the continuing economic disintegration in much of the continent among all those concerned with African development. But, as Robert Browne and Robert Cummings have recently noted, beneath the heat of the debate, many of the critics of the Agenda agree with much of what the World Bank says; in many cases the differences are over "emphasis rather than substance." Given this ambiguity in the debate provoked by the Agenda -- the often emotional and polemical tone masking what are, in some cases, much more subtle distinctions -- it is useful to examine systematically the key issues which separate the Bank and its critics. That is the main purpose of this paper.

Categorizing the Critics

Critics of the Agenda are often lumped together into one group. But, in fact, criticism has come from varying perspectives and frameworks. Critics can be roughly divided into four categories. First are African critics, who take issue with the seeming ambivalence of the Bank to African priorities of
self-reliance as set out in the Lagos Plan of Action. They have responded both individually and in *Accelerated Development in Sub-Saharan Africa: An Assessment* by OAU, ECA and ADB Secretariats (which we will hereafter refer to as the *Assessment*). They are joined by non-Africans who have been favorable towards Southern perspectives in the North-South debate. These critics are well-represented in the January 1983 issue of the Institute of Development Studies *Bulletin* entitled, "Accelerated Development in Sub-Saharan Africa: What Agendas for Action?" These critics approach the report from the perspective of "dependency" theory, finding fault with both its basic philosophy and its prescriptions. Within this group a distinction can be drawn between criticism that is a priori and basically ideological in character (such as that of Timothy Shaw⁸) and criticism that is derived from an examination of the facts (such as most of the IDS group).

A second group of critics are more sympathetic with the *Agenda's* broad approach, but disagree with particulars in the analysis and ensuing recommendations of the *Agenda*. They contend that the *Agenda* is too narrowly focused and optimistic, and that it sometimes fails to adequately analyze policy recommendations for technical accuracy, basing recommendations on fallacious economic reasoning. The proposed reforms would, therefore, fail to achieve their purpose, and might even cause more damage than progress. Kenneth Shapiro's "The Limits of Policy Reform in African Agricultural Development" is a representative of this category, as are some of the authors in the IDS *Bulletin*.

The third group of critics broadly agree with the *Agenda's* analysis and its macroeconomic proposals. However, they criticize what they see as the *Agenda's* naiveté about political and administrative constraints which could render recommendations inoperable. This critique is well-articulated in David Leonard's "What is Rational When Rationality Isn't?". Joel Barkan also creatively addresses this issue.

Finally, there are conservative critics for whom the *Agenda* is a document of "paternalistic liberalism." Donor states should not continue to devote ever greater resources to African development, nor should they impose paternalistic conditions on these transfers. This point of view, though
rarely articulated, was expressed by Peter Kilby in his paper, "External Factors in African Development," presented at the Michigan State University conference on the World Bank's Agenda. It is also reflected in the opposition of the United States Government to fully refinance the International Development Agency (IDA), the "soft-loan" window of the World Bank, upon whose resources many Sub-Saharan African states depend.

For purposes of this paper, we have grouped the different criticisms of the Agenda into five broad categories:

(1) At the philosophical level, many have claimed that the Agenda's approach is dogmatically laissez faire, and that Western-based market assumptions and models are inappropriate and ineffective in Africa;

(2) Critics question the Agenda's analysis of the root causes of African economic difficulties, which placed particular emphasis on mismanagement and an overgrown public sector;

(3) Controversy has also arisen over the macrostrategic prescriptions advocated in the Agenda focusing on export-oriented agricultural production and restrained public sector activities. Such prescriptions are accused of being at odds with policies promoted in the Lagos Plan of Action;

(4) Microeconomic prescriptions of the Agenda are criticized for narrowly focusing on price incentives as a solution to the ailing agricultural sector to the exclusion of other solutions which could potentially ameliorate performance;

(5) Finally, critics maintain that the Agenda falls short in providing a program which is feasible in the context of Africa's political and administrative structures. For such an agenda to be useful, they contend, it must be implementable, an issue largely ignored by the World Bank's staff.

Each of these categories will be examined in some detail before we conclude with an overall discussion of the Agenda's place in the evolution of thinking about economic development in Africa.
Research and analytical work on the Agenda was led by Elliot Berg, known for his neoclassical free-market approach to development issues. The document was thereafter edited at the World Bank, then in the process of a leadership transition with A.W. Clausen replacing Robert McNamara as President. Concomitant with this change in leadership was a rethinking of Bank priorities and methods in the direction of what has been termed neoliberalism. A major element in the philosophical debate about the report concerns the exact status of this neoliberal approach and its relationship both to prior Bank thinking and to African states' long-range goals as articulated in the Lagos Plan of Action.

Although the Agenda explicitly recognizes and accepts African goals of national self-reliance and integrated development, it considers these to be long-range goals that will only be achieved through accelerated growth, reestablishment of export earnings in those commodities in which African countries have comparative advantage in international trade, and more efficient utilization of resources which can best be achieved by giving more play to the market as an allocative mechanism.

This approach has led many critics to contend that the Agenda springs from a dogmatic, almost theological bias in favor of free trade, private investment and the price mechanism that has been inspired and imposed by the industrialized countries, especially the Reagan Administration in the United States. Not only is this approach seen to be inherently procapitalist and antisocialist, but it is seen as both incapable of effectively dealing with the economic problems facing African countries while serving to rationalize and legitimize continued opposition by the industrialized countries to a fundamental reordering of North-South relations.

Stephany Griffith-Jones describes the Agenda's presentation of policy recommendations "as if there were a 'correct' body of theoretical economic thought, rooted firmly in empirical evidence, which formed the basis of its proposals." Many critics point to this self-assuredness in the Bank's proposals as a denial of the potential for workable solutions along other
ideological lines. But at the same time the Agenda is accused of being dogmatic, it is also criticized for being ambiguous and inconsistent. The Agenda does have its "hard" and "soft" moments, at times appearing to confirm the critics' accusations while at other times making them appear overstated. For example, in its discussion of the public sector, the Agenda fluctuates between advocating reduction of public sector role and advocating increasing its efficiency. Our point is that while the Agenda clearly has a perspective -- neoliberalism -- it is much less certain that its authors are as dogmatic and inflexible as critics suggest. Nor is it clear that neoliberalism is as inherently ant socialist as critics maintain. The use of market and price mechanisms within an overall socialist framework has an honorable heritage in socialist economic thought going back to Oscar Lange and running through the Liberman reforms in the USSR and current trends in Hungary, the People's Republic of China and other socialist states. Indeed, in recent years, the World Bank has been involved in programs in several of these countries with the goal of increasing economic efficiency.

The State and The Market

In raising the issue of the role of the market in African development, the Agenda has contributed to a long-standing and very interesting debate. David Lamb, in his recent book, The Africans, chastised those Western observers of Africa who feared the expansion of communist influence on the continent by pointing out that African societies are highly entrepreneurial, possess vibrant markets and are dependent on trade with the West. Thus, they are unlikely candidates for penetration by communist ideologies. Lamb undoubtedly has a valid point, but he misses the broader ambiguity towards the market in Africa. While markets in Africa are dynamic, and while virtually all studies have emphasized the "rational" responsiveness of African peasant producers to market signals, African governments and intellectuals often express a deep-seated antimarket mentality. This is derived from the fact that Africa's governing stratum is drawn from the intelligentsia and the bureaucracy rather than from any economic elite, that capitalism and the market are often equated with colonialism and external control, and that
Policymakers tend to view the market as an obstacle in their efforts to direct the process of economic development rather than a tool in these efforts.

The Assessment's critique of the Agenda's discussion of the need for an expanded private sector reflects this perspective. The Agenda, it argues, focuses on shortcomings of the public sector, many of which are valid and indicates areas for improvement, yet fails to outline the dangers and constraints of the private sector and the reasons for public sector intervention in the past. The "profit motive" which directs the private sector, the Assessment states, often ignores and confounds the broader interests of society, particularly issues of distribution and equity. This argument is also made by several of the contributors to the IDS Bulletin. In general, these critics assume that the public sector plays a redistributive role while admitting that this may be at the partial expense of efficiency and growth. But is this the case? The Agenda's argument, while somewhat implicit, is not simply that the public sector orientation of African governments has slowed growth, but that its impact on equity and redistribution has often been perverse; that is, that while African governments expanded their public sectors to promote redistribution, the result has been the opposite. The Agenda's argument against the public sector in Africa is an exact parallel of that made against mercantilism by Adam Smith in The Wealth of Nations. Public sectors, according to the Agenda, have not promoted redistribution at the expense of growth; they have produced inefficient, overprotected enclaves of privilege. In particular, they have benefited urban consumers at the expense of rural producers. To the extent that the main thrust of the Agenda's prescriptions would shift urban-rural terms-of-trade in favor of the latter, they would serve to promote equity in this relationship.

David Leonard, in his critique of the Agenda, takes the question of the relationship between markets and states in Africa to another plane. Leonard agrees with the Agenda's broad critique of the performance of Africa's public sectors, but feels that it misses a more important point. The overexpansion and misdirection of Africa's public sectors does not reflect "a mistaken understanding of economic rationality, but a correct appreciation of still
more fundamental and pressing political and social rationalities." For Leonard, then, the debate between the Agenda and its African critics about the potential viability of expanding the role of the market at the expense of the state is, in a fundamental sense, unreal. To the extent that both sides assume "purposive economic rationality," they ignore the social and political imperatives that the African context will inevitably engender.

"Basic Human Needs" and the Agenda

As mentioned, a major element in the debate about the Agenda's broad approach is its relationship to the "Basic Human Needs" themes that came to prominence in the World Bank under Robert McNamara. Critics of the Agenda differ among themselves on this issue. The more radical critics who have always been dubious of the Bank (among them Manfred Bienefeld), have characterized the Agenda as offering the same bad advice as before. On the other hand, most of the contributors to the IDS Bulletin see the Agenda as marking a fundamental shift in Bank outlook and a return to the policies of the pre-McNamara period. Philip Daniel writes,

Concern for reduction of inequalities, provision of basic needs, and alleviation of absolute poverty appear to have fallen in the Bank's ranking of priorities. Equity and distribution concerns have been supplanted by a re-emphasis on growth.

Is Daniel correct? There is no question that the Agenda accurately reflects a shift in the operations and tactics of the Bank. The emphasis on structural adjustment and macroeconomic policy differs from the project orientation of both the McNamara and pre-McNamara periods. But there are important continuities in the Agenda to the broad goals of the "Basic Human Needs" approach. Most basic is the focus on the rural areas and on increasing small-holder productivity. Poverty in Africa is predominantly rural; an economic strategy that focuses on small-holder agriculture as does the Agenda cannot be fairly accused of ignoring the alleviation of poverty.

The point here is to see the Agenda as a response to the Bank's experiences in attempting to implement the rural projects of the 1970's. As stated in the Agenda and numerous other Bank project analyses, the emerging
consensus among project staff was that the success or failure of projects was substantially dependent upon the macroeconomic and organizational contexts largely independent of the projects themselves. Thus, the Agenda's focus on the need for policy change and for redressing what it sees to be an imbalance between public and private sectors occurs within an overall strategy that retains the rural and small-holder productivity enhancing goals of the "Basic Human Needs" approach. A second area in which the Agenda demonstrates continuity with earlier themes is in advocating a greater role for small-scale entrepreneurs. This is very much in the tradition of a number of World Bank and ILO reports of the 1970's that argued for allowing greater play for the "informal sectors" within African economies. Overall, then, it is not correct to characterize the Agenda as rejecting those themes within the McNamara Bank that sought to make African development more broad-based and equitable. The Agenda does, however, implicitly disagree with the manner in which the Bank attempted to achieve its goals in the 1970's and puts far more stress on policies aimed at increasing output and redressing balance of payments crises.

The Agenda and the "Lagos Plan of Action"

The final issue separating the Bank from its critics in the area of philosophy and general approach is whether the Agenda and its proposals are consistent with Africa's long-range goals of "collective self-reliance" as articulated in the Lagos Plan of Action. The World Bank, both in the Agenda and in other statements and articles (including one by Callisto Madavo), has argued that the Agenda and the Lagos Plan are complementary, with the former dealing with short- to medium-term responses to the immediate economic and fiscal crisis, and the latter dealing with the long-term transformation of African economies. Many critics disagree. The OAU/ECA/ADB Assessment, for example, states, "the goals, objectives and characteristics of the strategy contained in the (Agenda) are in many ways inconsistent with those of the Lagos Plan of Action." Shamsu Mustapha of the Sierra Leone Ministry of Finance argues similarly.
On the face of it, the critics have a strong case. As Robert Browne and Robert Cummings write,

While the (Agenda) is busy laying out prescriptions for getting Africa back on to an efficient export-led growth path, the Lagos Plan is exhorting its constituency to break away from this discredited path and strike out in a new direction.19

There is no question that the two documents are based on differing economic perspectives, divergent views of the way in which the international economy works, and different ideas about what development in Africa entails. On the other hand, it is our feeling that critics have often overstated the inconsistency between the two documents. The Lagos Plan is not geared to the short-term problems of African development; nor is it really programmatic in any meaningful sense. What it represents is an attempt by African leaders to forge some rough consensus on what a preferred future for the continent would look like and on the absolute necessity for cooperative efforts far more successful than any so far undertaken in order for those goals to be at all attainable.20 The Agenda, on the other hand, attempts to propose a strategy through which African nations, with assistance from the international community, can get back on their feet. We agree with Browne and Cummings, who after stressing the differences between the Agenda and the Lagos Plan, conclude,

If the (Agenda) assists Africa in buying the time needed to prepare itself for the full implementation of the Lagos Plan, and the Africans do in fact use this time for that purpose, then in retrospect the two documents will be seen to have made complementary contributions towards the goal of Africa's economic development.21

WHAT WENT WRONG? THE AGENDA'S EXPLANATION

All observers agree that Africa's economic crisis has been caused by a complex mix of historical factors, population pressure, geographic and climatic elements, wasted resources, short-term external shocks, terms-of-trade deterioration, lack of skilled manpower, misguided policies, political upheavals, and bad luck. The Agenda is significant in the special
emphasis it puts on domestic policy inadequacies in the explanation of Africa's economic crisis and in the very limited role it accords to international factors such as terms-of-trade deterioration and protectionism in industrialized countries. The Agenda, in addition, finds the large and rapidly expanding African public sectors to have been a drain on vital resources and thus a constraint on more rapid growth.

Many agree with the Bank that policies have disadvantaged both exports and agriculture, albeit for the accomplishment of other development priorities. Few argue with the Bank's assertion that populations are expanding too rapidly to be productively absorbed in many African states. Yet the Agenda's causal analysis has generated sharp debate, focusing largely on two elements: (1) Were domestic or international factors more at fault for the present difficulties? and (2) What role did the public sector play in reinforcing economic disequilibrium?

**International Factors in Africa's Crisis**

Critics have reacted most strongly to the Agenda's discussion of what it sees as the limited importance of external pressures, such as international inflation, recession, and high oil prices. The Assessment, while acknowledging that domestic policies and structures must be improved, argues that external factors have been more detrimental to Africa in the 1970's. It states that by failing to discuss overprotected international marketing structures, the Agenda does not give a complete picture of adverse economic forces at work in Africa. Instead, by focusing solely on domestic price policies, the blame is laid at the feet of African leaders alone. The Assessment counters by insisting that:

Particularly since 1974, (adverse trends in Sub-Saharan Africa) include "stagflation" in the industrialized countries, higher energy prices, the relatively slow growth of trade in primary products, and adverse terms-of-trade, especially for copper and iron ore.22

In particular, critics feel that the Agenda understates the role of terms-of-trade deterioration as an explanation. Part of the difference between the Bank and its critics concerns the time period involved. The
**Agenda** bases its analysis on data up to 1979. Critics often include later years. There is no question that the period since 1979 has seen a drastic worsening in the terms-of-trade for African commodities. Nor is there doubt that the terms-of-trade for mineral producers have radically deteriorated since 1970. Indeed, if the dramatic increase in the mid-1970's of the international price of several tropical beverages is excluded, then the overall terms-of-trade picture becomes more negative. David Wheeler, in a computer simulation, recreated the trade environment of the 1960's for the 1970's and found that output levels were significantly higher.\(^2\)\(^\text{3}\)

Reginald Green makes this further argument in putting more emphasis on external factors:

> Broad uniformity of unsuccess across strategy and policy differences are critical in considering causes...Evidence that the basic causes of most economic crises in Africa are probably external is reinforced by national data...It does cast grave doubts on analyses placing primary responsibility on particular African policies.\(^2\)\(^\text{4}\)

Green emphasizes correspondence between dates of major international shocks and African difficulties. Many African states successfully rode out the oil shock of 1973-74, recovering with the entire global community in 1976-77. However, after the shock of 1979-80, no such global recovery took place -- evidence, says Green, that a sick international economy proved contagious for Africa.

But is the "uniformity of unsuccess" so broad as Green suggests? According to the FAO, six Sub-Saharan countries (Kenya, Malawi, Swaziland, Cameroon, Ivory Coast and Rwanda) achieved better than 3 percent annual increases in agricultural output in the 1970's, while a dozen countries had less than 1 percent annual increases.\(^2\)\(^\text{5}\) Given high rates of population growth, even these six "successes" are marginal, but they do challenge Green's assertion of uniformity of outcomes (which, by the way, the **Agenda** tends to slip into as well).

If the **Agenda** errs on the side of giving too little credence to external factors, many critics go too far the other way. The fact is that in the 1970's Africa lost substantial market shares in virtually all of its major
internationally-traded commodities. Overall, its share of developing countries nonfuel exports plummeted from 18.6 percent to 9.2 percent. Part of this was due to slow growth of international trade in those commodities that Africa exports as compared to those exported by other developing regions, but most was loss of market share due to neglect of exports, since all exporters face the same market conditions for each particular commodity.

Ernest Wilson presents a balanced view of both internal and external factors that have contributed to Africa's economic woes. He rightly points out the unfortunate tendency for each side to blame the other and absolve itself of responsibility. Wilson does stress that oil-importing African countries were particularly hurt by the rise of OPEC. Looking at energy markets, he writes:

In Africa, more so than for any other region of the world, the relevant organizations were hard pressed to adjust to the brutal maelstrom of the boom and bust fluctuations of the oil market...The Bank Report did not devote sufficient attention to the devastating impact of these fluctuations on Africa.

The magnitude of stress placed on institutions and scarce resources by energy demands is largely ignored by the Agenda, argues Wilson. He gives data that 75-90 percent of Africa's commercial energy demand is supplied by oil, forcing states to devote huge amounts of foreign exchange to cover those rising expenditures. Equally difficult has been the structural adaptation undergone by African governments to cope with such shocks, continues Wilson, including increased reliance on external borrowing and reliance on transnational oil firms.

An Overexpanded Public Sector?

Debate has also been generated about the Agenda's assertion that an overly-expansive, inefficient and largely unproductive public sector contributed substantially to Africa's economic woes. Philip Daniel takes issue with the Agenda's analysis:

Treatment of (the public sector) is based less on economic research and analysis than on generalizations from the observation of political and administrative processes in selected cases and countries.
Christopher Colclough, concurring with Daniel, points out that the Agenda fails to compare public sector spending in Africa with other regions. Backing his argument with data from the World Bank's World Development Report 1982, he states:

The statistical evidence on government spending available in the Report itself provides no basis for the conclusion that the rapid expansion of government activities has resulted in slower growth in Sub-Saharan African countries than would otherwise have been the case.30

Colclough points out that African countries spend no more on the public sector than do industrialized countries as a percentage of GDP.

At one level, the critics make a valid point. The Agenda's treatment of the public sector is not fully empirically-based and overgeneralizes. Colclough's data on comparative expenditure do not reveal African states to be "large" in comparison to other regions. But that begs the question. Do the critics really wish to argue that African public sectors have performed well? Certainly, among political scientists who have studied development administration in Africa, there is an overwhelming consensus that performance is very poor.31 African governments might not be bigger than others, but they do tax the producers of exports at a much higher rate than governments in other developing areas and they clearly undertake tasks that they can't perform.

Critics are often ambiguous about the public sector. Green, for example, writes that "there is no general case that African public sectors do too much, in most cases they probably do too little."32 In comparison to the private sector, the public sector isn't bad. Green continues:

Given the very late start, weak private domestic sector capacity, poor domestic savings mobilization capacity, there is no general case that the private sector could or would do better.33

But, in his policy recommendations, Green moves much closer to the Agenda:

The case for change rests on the demonstrable fact that many African public sectors do what they do very badly...public sectors...must constrain what is attempted within the limits of the possible.34
Where the Agenda’s overgeneralization does create a problem is in leaving the impression that government agencies are running hopelessly amok. The Assessment makes a valuable contribution in stating:

It is not certain that (the Agenda) has approached the problem pragmatically...There are and have been cases where parastatal bodies have been efficiently managed and have made a meaningful contribution to development...This is a delicate area of public policy.34

BROAD STRATEGIC RECOMMENDATIONS

The Agenda is perhaps best known and most controversial for its broad policy prescriptions. The proposed strategy has three major components. First, agriculture is considered the sector with the highest short-term growth and earning potential and therefore should receive the greatest attention in resource allocation. Second, agricultural production for export must expand to generate foreign exchange reserves. Finally, the private sector should play a greater role in production and marketing. The Agenda states:

The agriculture-based and export-oriented development strategy suggested for the 1980's is an essential beginning to a process of long-term transformation, a prelude to industrialization. It is not a permanent course for any country, but one that in Africa generates resources more quickly than any alternative and benefits more people. Without these resources, the foundations of future development cannot be established.35

The Primacy of Agriculture

The Agenda's recommendation that African countries give priority to agriculture derives from its critique of import-substituting industrialization (ISI) in Africa. This critique is never made fully explicit in the Agenda, but is easily pieced together from various specific recommendations and criticisms of existing policy. ISI, which has been undertaken by many diverse African countries, involves the erection of high tariff barriers and import quotas, overvalued exchange rates in order to minimize the cost of imported inputs to fledgling industry, low interest rates to reduce the cost of investment, and licensing of producers to reduce competition. In addition,
ISI is often accompanied by high wage rates and government efforts to control the price of basic foodstuffs. According to the Agenda, the outcome of these policies is an inefficient capital-intensive manufacturing sector with little capacity for dynamic expansion and very limited "spread" effects. In addition, these policies serve to discourage exports, limit savings, reduce efficiency in investment, and discriminate in favor of the urban areas at the expense of rural producers. The Agenda argues that industrialization in Africa, based upon import substitution, has often been pursued at the expense of undermining agriculture, where most of Africa's population is, which has the greatest potential for increasing sorely needed exports, and where Africa's food crisis must be faced.

Many critics of the Agenda agree with its emphasis on the agricultural sector. The first priority of African states must be to increase food output. Plus, in order to generate foreign currency for purchasing necessary imports, states should capitalize on their most able sector -- agriculture -- later moving into expansion of an industrial base. According to Peter Kilby, there is no inherent long run conflict between stimulation of agriculture and industrialization. Using World Bank statistics, he states:

In agrarian economies, industrial growth does not occur at the expense of agricultural growth, but because of it. The authors (of the Agenda) are quite correct in arguing that those governments which have squeezed agriculture in the cause of industrialization have crippled the farm sector without any advance in manufacturing. On the demand side, farm household income is crucial to purchase of manufactures. On the supply side, agriculture influences the costs of inputs in the manufacturing sector.

But some critics are unwilling to accept the primacy of agriculture in development. The Lagos Plan states that "development of agriculture must be integrated within the economic and social development processes." The Assessment echoes this position, claiming that the Agenda fails to explicitly recognize that self-sufficiency requires the development of an industrial support structure -- one compatible with the natural resource base, human needs and social/economic potential. Nor do African governments fully share the Agenda's assessment of ISI. Certainly their defense partially
reflects the fact that the groups favored by ISI often form a powerful political coalition (generally including large sections of the government itself) with a vested interest in maintaining ISI policies. Some critics also fear that a rapid shift in policy away from ISI would lead to deindustrialization, rapid inflation and further import dependence. While caution in moving away from ISI is needed, it seems to us that those who criticize the Agenda's emphasis on the need to prioritize agriculture, are on weak ground. In order to make their case effectively, critics would have to show why the Agenda's criticism of ISI is wrong, rather than merely stating that industrialization is an integral part of development.

Exports and Development

More controversial than the Agenda's recommendation to emphasize agriculture is the importance given to revitalizing exports, the unfortunately-named export-oriented strategy. This strategy is unfortunately-named because the assumptions the Agenda makes about the potentials for exports to "lead" the development process are vastly overstated and misread near-term trends in the international economy. Stephany Griffith-Jones sees excessive optimism in the Agenda's predictions of growth in world trade in the 1980's. Bank projections for world trade in the 1980's predict a 2.9 percent per annum increase in Africa's 22 most important nonfuel commodities, well above the 1970's projection of 1.5 percent. Minerals are projected to increase by 5.8 percent per annum. Griffith-Jones points out:

Such optimistic projections of growth are conducive to policy recommendations which place greater emphasis on export-led growth than the objective situation would recommend.

On the other hand, the Agenda's emphasis on export rehabilitation as a priority is appropriate, independent of the international trade environment. Many critics, while making the point about the Agenda's lack of realism concerning export potential, go on to argue that export earnings either cannot or should not be increased. As analysis, this is faulty; as advice, it is disastrous.
The *Agenda* points out that African economies are "uncommonly 'open,'" exports account for a significant share of marketed production, and imports constitute a significant share of consumption." Given this openness, many critics contend that increasing exports can only make African economies more vulnerable to international fluctuations. But the "openness" of African economies is by no means lessened by exporting less in the short-term, quite the contrary. By failing to maintain export levels, African states have made themselves more, not less, vulnerable to international fluctuations. The bottom line is that production structures in Africa are highly import-dependent. In order for development to take place, they will have to remain so for a long time to come. The goals of long-range self-reliance involve heavy import needs in the short- and medium-term. The key role for exports is to pay for those needed imports. President Nyerere of Tanzania, whose government neglected exports for many years in the name of "self-reliance," learned this lesson the hard way:

There has been an increased rather than decreased dependence upon imports to keep our economy running. Is this an unforeseen but unavoidable result of development, which makes nonsense of -- and therefore requires the amendment of -- our goal of self-reliance? Or is it an inevitable phase in the development process which we have to work through? I believe it is an inevitable phase for any developing country. For a developing society is inevitably, and by definition, more complex than a subsistence economy; it is less self-sufficient and therefore every part is more dependent on another part. An increased dependence on imports is indeed an inevitable result of development. The realistic route to self-reliance is therefore the rapid development of export capacity in order to pay for the needed imports.

Too many of the *Agenda's* critics have not learned that lesson. Several of the contributors to the IDS Bulletin claim that the *Agenda's* advice to increase exports is an example of the "fallacy of composition;" that is, while it would be appropriate for one country, if all countries follow the advice they will be worse off collectively because "an increase in production would result in a fall in income." This assertion is not effectively demonstrated, though data on market share and price elasticity of demand make it plausible in the abstract for some commodities. But the point is that not
all countries will expand exports, and that the alternative to re-emphasizing exports is a further loss of market share that will further exacerbate current difficulties. Critics seem to imply that Africa can maximize earnings by not increasing volume, which is an irresponsible false assertion.

The Assessment takes the existence of a poor international trade environment to argue that the Agenda is wrong in calling for increased exports.

The main argument for an export-oriented agricultural policy...presupposes the availability of markets for the export products and the capability of developing countries to compete with developed ones...Neither of these assumptions can be taken for granted.44

The Assessment challenges these assumptions on several grounds. First, it claims there is no evidence that prices for African commodities will continue to rise sufficiently to compensate for inflation on manufactured goods, costs of skilled labor, etc., so that terms-of-trade for African primary exports will continue to deteriorate. Second, consistently expanding markets for African commodities may not exist, thus increased production would imply rising competition for existing market shares.45 In addition, reliance on export-oriented agriculture will fail to develop high-level skills or high-technology potentials nor will it enhance redistribution of wealth -- all priorities of the Lagos Plan. Instead, the Assessment argues, export-led growth leads to development of a small, high-income enclave sector which can raise national GDP but perhaps not the general welfare of society.46

The Lagos Plan stated Africa's alternative to export-oriented agriculture: nationally integrated economies and regional cooperation aimed at achieving self-reliant and self-sustained development. The Assessment points out that economic growth should depend increasingly on internal stimuli and gradual substitution of domestic for imported factor inputs.47 Industry, allotted a marginal role by the Agenda as a long-term goal, is a high priority of the Lagos Plan, which calls for the establishment of basic industries in African states. The Assessment argues that the Agenda's export orientation will only serve to pull Africa away from its ideal long-term position by increasing external dependence and mono-crop production structures.48
While a number of these points have some merit, taken together they fail to effectively challenge the Agenda's emphasis on export rehabilitation. The Assessment does not directly confront the import dependence of contemporary Africa. It also poses the outcome of an export-enhancing strategy in far too narrow terms. Export production need not be limited to "enclaves", but can be promoted among small-holders and become a focal point for generating appropriate technological advances. Samuel Wangwe argues that an outward-looking, foreign exchange-generating strategy can be complementary to an inward-looking, foreign exchange-saving strategy. Export enhancement, he writes, "may appear tantamount to maintaining the existing production structures; this need not be the case if the foreign exchange so earned can be used to enhance the structural transformation process." Wangwe's position is very similar to that of Reginald Green who, while critical of the Agenda's optimism about export prospects, shares its stress on the crucial need for export rehabilitation.

Controversy has also arisen over the potential of export crops to draw productive resources (such as scarce labor, land and water) away from food crop production. The Agenda, citing admittedly incomplete data, states:

Empirical evidence does not support the hypothesis that expanding export production leads to declines in food production...Countries that have been doing well in cash crop production have also been among the most successful in expanding food production.

In general, one of the major goals of the Agenda is to contribute to increasing Africa's food self-sufficiency. On the other hand, because of the importance given to export rehabilitation, the Agenda allows that in particular situations export promotion might take precedence over food production. Several critics have taken this remark out of context and have wrongly claimed that the Agenda is "hostile toward the number one African priority of self-sufficiency in food." Green makes a more subtle criticism, though his is also undoubtedly overstated.

At least on one plausible reading, (the Agenda) advocates rising export crop relative to domestic food crop prices, and reducing priority to food self-sufficiency...(Yet) speedy, smooth shifts from food to exports are unlikely. Bad years for domestic food crops, and years in which food prices explode globally are likely to occur...Acceptance of an exports strategy would probably be a recipe for starvation.
The Role of the Private Sector

Finally, the Agenda calls for a shift from public sector activities in productive fields to private sector initiative. Colclough sees two problems arising from the Agenda's proposals. First, most government activities, if suspended, would not be picked up by the private sector, or would be taken over by foreign firms. Second, long-term projects, especially industrial, could not be assumed by the local population, short on both resources and skills. Thus, the alternative to state services and enterprises may often be structures which are weak and manipulable, declares Manfred Bienefeld not what is intended in a free-market system.

The Assessment takes a similar stance:

The indigenous private sector was rarely ever in a position to play an active role in development, especially in the modern sector. Skilled manpower was concentrated in the public sector, resources for projects were directly or indirectly dependent on government initiative; information was largely more accessible to the government; and finally the government was organized, but the indigenous private sector was not.

But what the Assessment describes as the causes for the large public sector, weak private sector situation seems more to be the consequences of that situation. Similarly, while Colclough and Bienefeld focus on areas of potential concern, the areas in which the Agenda sees the private sector as playing a key role -- agricultural marketing, transportation, retail commerce, construction contracting -- are all areas in which foreign capital is unlikely to be interested and in which the growth of parallel markets in many countries indicates indigenous entrepreneurs already available to pick up these activities.

David Leonard, while agreeing in principle with the Agenda's desire to encourage private initiative, feels that the World Bank's antipublic sector stance is impractical given the political realities of Africa. Rather than seeking the impossible goal of dismantling the state, "the priority" should be "to redirect its activities into areas that combine some economic returns with high political payoffs." The Assessment takes a similar stance, stressing
the need "to make the public sector more efficient and more development-oriented rather than to reduce its size." 57

Critics are correct to point out the importance of making the public sector more efficient. But given the budgetary crises that most African states face, the need for paring back what the public sector does to conform better with government priorities cannot and should not be avoided. Those who propose increasing efficiency as an alternative to selective cutbacks have offered a false dichotomy. Rather than alternatives, they are both necessary components of a single process.

What Role for the International Community?

While the main thrust of the Agenda's strategic recommendations are addressed to African governments, there is also a broad set of recommendations for donors: doubling of the total volume of aid, a shift from project to program support, less restriction on supporting local and recurrent costs, less direct monitoring, more flexibility of support through the framework of structural adjustment lending. At one level, these recommendations are consistent with long-standing African demands for both more aid and greater flexibility in methods. But critics of the Agenda fear that the main implication for foreign assistance programs will be to make them conditional on African governments' acceptance of the strategy proposed in the Agenda. This raises the issue of the status of the Agenda's recommendations.

Does the Bank consider its strategy for reversing lagging development "correct" or simply another element in a continuing dialogue? This will be illustrated by the types of conditionalities imposed, linking structural adjustment to international financial support. Critics fear that the Agenda is outlining a new set of conditions which must be met, including exchange rate realignment, food subsidy reduction, shrinking public sectors, and a host of potentially volatile policy shifts. 58 Kilby describes the costs involved for African governments if conditionality based on the Agenda's approach is imposed:
The task allotted to African governments is to (a) install a thorough-going regime of market-clearing prices, (b) contract the scope of state enterprise, and (c) improve public administration. The assignment for the international community is to double the already high aid level and refine the techniques of aid implementation.59

A right-wing critic, Kilby shares a distrust of conditionality with the left-wing. Conditionality, argues Kilby, is "a type of soft paternalism," attempting to impose Western ideology and policies on Africa's leaders. To avoid paternalism, Kilby argues, solutions to African problems should emerge from within Africa and be based primarily on domestic resources and commitment to development.

Several critics have pointed out that the Agenda is substantially overly optimistic in its expectations of donors. Griffith-Jones argues that a number of the Agenda's policy recommendations, such as lower tariff barriers, can only be justified in the context of larger aid inflows.60 In many ways, the Agenda's recommendations imply a radical shift in the nature of foreign assistance. As Philip Daniel says, "the proposals of (the Agenda) present considerable difficulty for bilateral donors."61 It is undoubtedly the case that the leverage the Bank has over donors is far less than that over African governments through conditionality. This, in turn, raises further questions about conditionality and the Agenda. The Agenda presents its two sets of policy prescriptions as fully interdependent. That is, structural adjustment by African governments is only viable in a context of expanded assistance; expanded assistance will be forthcoming only on the basis of commitment to structural adjustment. In the absence of donor commitments along the lines suggested in the Agenda, where does that leave conditionality?

SPECIFIC POLICY RECOMMENDATIONS

Poor performance in the agricultural sector, the anticipated "engine of growth" of African economies, spurred the development of a set of specific economic policy recommendations by the World Bank designed to ameliorate conditions and encourage increased production in food and export crops. The
Agenda advocates an improved incentive structure through reform of pricing policies and marketing structures and more effective provision of inputs. Restructuring price incentives is presented as the most necessary short-term goal, given "the almost overriding importance of producer prices in affecting production levels, often cutting across the quality of technical packages and extension services."  

Getting the Prices Right

The Agenda emphasizes three specific policy changes. First, lower taxation of agricultural products in order to increase effective prices for producers, which would, in turn, provide incentives for farmers to increase production. Second, realignment of the exchange rate through devaluation in order to raise the value of exports, allowing higher returns to those who produce for external markets. Devaluation would also raise the price of, and lower demand for, imported cereals, thereby enhancing demand for domestically-grown crops. Third, the Agenda argues that governments should raise prices paid to producers to the level of cross-border and black market prices, a policy which would encourage increased production for domestic markets.

Critics question the Agenda's proposals on a number of grounds. Some have argued that the Agenda's emphasis on price policy as a cause for lagging agricultural output and overall growth is overstated and not sufficiently demonstrated. Specifically, Philip Daniel argues that price incentives may not remove the constraints most influential in farmer decision making. In Africa, Daniel states, structural, not price, constraints -- especially land shortage, poor climate and lack of access to markets -- must be overcome to encourage increased production. If these structural constraints cannot be rectified, price incentives will have little effect on output levels.

Daniel's point is only partially valid. While the Agenda's analysis on the impact of price policy was not convincingly argued, recent World Bank studies, especially Ram Agarwala's "Price Distortions and Growth in Developing Countries," which is summarized in the World Development Report 1983, make a convincing argument on the link between prices and growth.
Kenneth Shapiro makes a strong point in arguing that price policy reform may have a more limited impact than the Agenda suggests. He questions the Agenda's claim that pricing reform, particularly reducing export taxes, would provide adequate incentives to raise output significantly. Using World Bank data, he shows that a 50 percent decline in the tax rate on exports would result in a 25 percent approximate rise in producer prices. This 25 percent increase, given an elasticity of supply response of 30 percent, would result in less than a 10 percent increase in output, but would involve a 45 percent loss of tax revenues.65 This tradeoff may prove very difficult to many African states whose budgetary earnings are substantially dependent upon agricultural taxes. Furthermore, a smaller revenue base would limit the funds available for infrastructural development, improved health and education facilities, and other important nonprice incentives.

Other political consequences of the Agenda's microeconomic proposals must also be considered. Food prices are important to governments concerned with the urban poor and an urban-based public sector. Realignment of subsidized food prices has been the cause of urban unrest on several occasions, and is therefore a controversial policy. Thus Shapiro states that given these two constraints -- low elasticity of supply and difficult political trade-offs -- price incentives may be of limited economic value and political viability.66

But Shapiro and others have overstated their case. In several countries, Tanzania and Madagascar among them, government-set prices were so distorted and state marketing boards so inefficient that parallel markets dominated official ones, creating a political and economic incentive for reform. Initial results of a World Bank-supported liberalization of the rice market in Madagascar (which involved allowing the market to set prices and free competition in marketing) have shown both more domestically-produced rice available to urban consumers at lower prices and a reduction in regional price differences from those holding when the government attempted to enforce a unique panterritorial price. While Green defends African governments' utilization of panterritorial pricing against the Agenda's criticism with reference to the Tanzanian experience,67 Tanzanian researchers have substantiated the Agenda's point that panterritorial pricing generates
perverse incentives for producers and increases the likelihood of inefficiency in marketing.  

Exchange Rate Policy

Perhaps the most controversial of the Agenda's specific policy proposals is its call for substantial devaluation of African currencies. African governments have been hostile to devaluation because they fear its short-term costs, both economic (inflation, lowered real wages for urban consumers of imports, inimical to ISI) and political ("IMF riots," perception of ceding of sovereignty), while they are dubious about its longer term benefits. The Agenda, however, sees overvalued exchange rates "at the heart of the failure to provide adequate incentives for agricultural production and for exports." Critics have argued, correctly, that the Agenda's discussion of exchange rates is too narrowly focused and apolitical. Devaluation, to be successful, must switch internal terms-of-trade in favor of agriculture. Christopher Colclough writes that devaluation will not have its intended effect if "nominal wages are allowed to move upwards to compensate for the inflationary impact of exchange rate movements." Since the Agenda was issued, African governments have been much more active in exchange rate devaluation, but the results have been very limited due to factors such as those raised by Colclough. The World Bank, in its recent "Progress Report on Sub-Saharan Africa", has recognized this and is much more explicit than the Agenda on the political commitments needed for devaluation to have an impact.

Nonprice Incentives

Critics of the Agenda's focus on price policy raise several alternative nonprice incentives for increasing agricultural output, all aimed at ameliorating debilitating structural constraints. Although the Agenda mentions the potential contribution of improved input availability, research and extension services, and adequate transportation and storage facilities, its treatment is deemed "superficial" by critics, particularly relative to the extensive attention given price incentives. Kenneth Shapiro especially
emphasizes the need for increased information and available appropriate technology. Research and extension services must be developed to reduce the current deficiency in both of these areas. Although discussed in the Agenda, both remain inadequately connected with its discussion of incentives to production.

Caroline Allison and Reginald Green emphasize the need for accessible health care and education, and for a reduction of productive time spent in gathering fuelwood and water. These time and resource constraints, they point out, reduce farm efficiency and output regardless of producer prices. Allison and Green are among those who criticize the Agenda's suggestion that partial user-charges should be adopted for health and other public services. They feel that it would result in a curtailment of services in rural areas and thus serve to hinder growth in agricultural productivity. Colclough takes up the same argument, "evidence suggests that...cost covering charges...will result in large numbers of rural families being unable or unwilling to use such services." The policy would result, he states, in "a reduction in the quantity and quality of services available to rural populations."

It seems to us that the critics are on weak ground on this point. First, Colclough's reference to "evidence" is not only unsubstantiated but unsubstantiable given the extremely limited experience with user-charges in Africa. More importantly, the critics seem to imply that health and education services are being currently provided in a widespread way at no charge. But they are not. The point of the Agenda's recommendation is to ease the burden of these services on government budgets so that they can be distributed more widely than is currently the case. If governments could recover half the costs, they could provide double the services at the same level of budgetary expenditure. Special subsidies could be made available to the very poor. The implication by critics that the Agenda favors cutting rural services is simply not there.

**CAN THE AGENDA BE IMPLEMENTED?**

While the Agenda devotes most of its energy to overall economic strategy and particular economic policies, it does pay some attention to the problem of implementation. In general, it advocates strengthening the role of the
private sector and consolidating the tasks of government into more manageable units. It advocates making parastatal organizations operate more along the lines of commercial enterprises. The Agenda also focuses on the need for improving the quality of planning and increasing its impact on actual policy outcomes. But, in general, the Agenda is not nearly as detailed on this set of issues as it is on those themes discussed earlier in this paper; perhaps ten pages of the document are given to problems of implementation. A number of critics have wondered why the Agenda pays so little attention to questions of implementation. They make the point that balancing conflicting economic priorities in Sub-Saharan Africa is particularly difficult given the lack of skilled manpower and monetary resources. In addition, major systemic complications—political demands and constraints, poor administrative mechanisms and the lack of effective infrastructure to make decisions operational—threaten economic management. These systemic constraints are not given sufficient attention in the Bank's prescriptions for reform. While much is made of short-term political constraints and general political fragility, little space is devoted to their analysis.

Those who criticize the Agenda on implementation questions are themselves divided into two groups. Some see these problems as part and parcel of the overall inadequacy and wrong-headedness of the Agenda. Thus, Allison and Green describe the Agenda as an attempt to apply "pure" economic calculations to a complex set of political economic realities. This approach, they feel, stems from the Bank's historical inability to deal with noneconomic realities. Manfred Bienefeld feels that the very notion of "general" solutions, independent of politics, is untenable. To effectively implement any policy recommendations, the Agenda must address first the objectives of government, and secondly, the political forces which they represent. By taking a purely economic approach, says Bienefeld, the Agenda fails to confront the issue of political context which determines control in African states.75

Economic vs. Political Rationality

But others who criticize the implementation approach of the Agenda do so because they believe that it threatens to make inoperable or impractical an
otherwise basically useful diagnosis of Africa's problems. The most important of these critics is David Leonard. Leonard agrees with the Agenda's finding of consistently poor performance in African public sectors. But Leonard feels that the answer to why this is the case lies less in mistaken policies than it does in Africa's sociopolitical context. For example:

The economic and political costs of creating marketing boards which effectively tax agriculture are more than offset by the political benefits of the jobs and "free goods" which they indirectly finance.  

The Agenda, according to Leonard, is not sufficiently attuned to Africa's political realities. Decisions which affect the size and role of the public sector are based on patronage and political returns.

Political rationality, by itself, is not necessarily bad. The problem in Africa is that political rationality has become antagonistic to economic growth and productivity. Leonard sees as futile any attempt to impose the primacy of economic rationality, given the political rationality of African states. Policies are needed that respond to political rationality but have economic payoffs in terms of growth and productivity.

Leonard makes a parallel argument about planning. The Agenda's emphasis on the need for better economic planning, improved management techniques, and a smaller public sector rest on an assumption that mismanagement stems from poor economic planning. Leonard argues that, on the contrary, mismanagement results from the political infeasibility of plan implementation. If this is the case, the Agenda fails to provide an approach which addresses the root of the malfunction, simply providing another blueprint to "fix" mismanagement. Leonard points out that empirical knowledge of successful management techniques in the African context is scarce, a fact which the Agenda doesn't really acknowledge.

We find Leonard's point to be basically compelling, though perhaps some of its implications are overstated. That the Agenda was politically obtuse was largely a function of its status as a World Bank document (though, as stated earlier, the political implications of at least some of the suggested reforms are stated much less ambiguously in the recent Bank "update"). Leonard
perhaps overstates the degree to which, at least in some countries, the kinds of policies and institutions the Agenda criticizes serve even political rationality. The case of the marketing boards in Tanzania and Madagascar, discussed earlier, would be examples. But even these specific cases may verify Leonard's broader point. Perhaps reform was put on the agenda and was possible in these countries because the old ways no longer had political payoffs. Leonard is also too pessimistic about the possibility of changing the mix between public and private sectors. While the point he makes about the pervasiveness of political rationality is valid, he tends to reify it into something immutable.

Joel Barkan's critique is in some ways parallel to Leonard's. He points to the Bank's lack of attention to administrative and organizational mechanisms required to implement the Agenda's prescriptions, and its reliance on macroeconomic solutions to fundamentally micro-organizational problems. Barkan believes that effective microorganizational options have been ignored by the Bank, especially small-scale peasant-operated organizations, which have proven to be effective instruments of development. Barkan refers to Kenya's harambee organizations as illustrations. He fears that the Bank's concern with structural adjustment and macro-organizational matters will preclude it from having an impact on local level organizations which he sees as necessary for successful implementation of solutions.

Conditionality

One of the methods that the Agenda implicitly proposes as a means of implementation (though to what degree is unclear) is conditionality. The viability of this has been questioned. Both Reginald Green, from the left, and Peter Kilby, from the right, stress the importance of governments and policymakers really believing in reforms for those measures to be successful. This leads both to question the utility of conditionality as a means of influencing policy, although for Green the implication is that more aid should be given without conditions while Kilby thinks that more aid is likely to be wasted and shouldn't be offered at all. But conditionality could prove to be an asset to those African governments who see the need for reform but fear its
political consequences. These leaders might be able to use conditionality to deflect the political heat arising from tough decisions away from themselves and on to the "foreign devils" from the World Bank and the IMF. These arguments are difficult to evaluate and can only be judged over time. They do point up, however, the many potential difficulties that implementing the Agenda's strategy may entail.

**CONCLUSION**

In the final chapter of a recent Scandinavian book of essays concerning Africa's economic crisis, a leading international expert on African development issues described the broad lines of a strategy that would hopefully help alleviate current conditions. The expert emphasized that Africa's crisis is in a crisis of production and that solutions must be directed towards increasing output and productivity. He stated that African governments need to consolidate, both in terms of emphasizing the completion of existing projects and the rehabilitation of existing productive capacity, and in terms of giving priorities to tasks that they are capable of undertaking while avoiding those that they are not. He particularly emphasized the absolute necessity of generating export earnings and vilified those who have accused him of favoring "neocolonialism" for such an approach. He stressed the crucial need for cooperation between African governments and the international community if a way out of the crisis is to be found.

This sounds as if the expert might have been Elliot Berg, chief author of the World Bank's Agenda, on another of his globetrotting tours. But, in fact, it was Reginald Green, editor of the IDS Bulletin critique of the World Bank's Agenda. Have Berg and Green, who have been directly and indirectly debating each other on African development issues for nearly twenty years, suddenly come to a meeting of the minds? Not really. In the same essay, Green repeats many of his criticisms of the Agenda. Rather, the point is that the dialogue engendered by the appearance of the Agenda, despite some nastiness, has not been one of the deaf. President Nyerere of Tanzania, the individual most responsible for popularizing the notion of self-reliant, broad-based
development that led to policies geared towards import-substituting industrialization, stated last May (1983) that,

We may have been too ready to assume...that factories or large investments of different kinds would provide us with wealth...We have to recognize that, at least for us in Africa, 'development' and 'rural development' are in reality synonymous.79

In the 1980's African countries absolutely need reform. The old ways of doing things are no longer viable. Government budgetary deficits cannot continue to skyrocket; balance of payments deficits must be reduced; more food must be grown to feed the continent's expanding population; scarce resources -- both financial, human and physical -- must be used more efficiently and effectively. The importance of the World Bank's Agenda was to state this very clearly and forcefully; to promote debate and discussion on how this might best be done. The Agenda's importance also lies in its stating that the primary responsibility lies with Africa's governments. Despite the Agenda's underestimation of external factors in causing the current crisis, it played a useful role by clearly breaking with the tendency of international reports on Africa to focus on external constraints and downplay the culpability of African governments. The international context for African economic development in the 1980's will continue to be adverse; that is all the more reason why African governments must do a better job. Dreams for the future must be grounded in the reality of the present or they will never go beyond being dreams. The World Bank's Agenda will likely be seen in the future as an important step in moving beyond the guilt-based relationship between Africa and the international development community that marked the first two decades of independent rule.

Summarizing the Debate

In this essay we have reviewed the main points of the Agenda and have discussed a wide range of criticisms that have been directed against it. We have found many of the criticisms to be either not substantiated or based upon misreadings of the Agenda. We have found several critical points, including some very important ones, to be basically well-taken. We have not dealt with
all of the points made in the Agenda -- nor all of the criticisms -- but have provided a broad picture of the differences between the World Bank and its critics. To summarize, we will briefly lay out what we have found to be weak criticisms and what we believe are criticisms that raise important problems in the World Bank's Agenda.

We basically disagree with those critics who feel that:

1) the Agenda implies a clear repudiation of the "Basic Human Needs" approach and a return to a strategy based upon "trickle down";
2) the Agenda is inherently antagonistic to Africa's long-range goals as articulated in the Lagos Plan of Action;
3) external factors are the fundamental explanation for Africa's current economic crisis;
4) the Agenda is wrong in its negative characterization of public sector performance in Africa;
5) the Agenda's focus on agriculture is overstated;
6) expanding export earnings is either not needed or impossible to achieve and thus should not be attempted;
7) the Agenda's strategy is in conflict with Africa's priority of food self-sufficiency;
8) allocating certain sectors to private initiative would involve either the tasks not being performed or being performed primarily by foreigners;
9) the Agenda's proposals imply a reduction in services to the rural areas.

Not all of the criticisms of the World Bank Agenda are off-base. The document has, it seems to us, important flaws. In particular, critics have pinpointed six areas in which the Agenda has real problems. First, the Agenda is in general overly optimistic; to entitle a report on Africa in the early 1980's "Accelerated Development" is a bad joke. Specifically, the Agenda is too optimistic about the international trade environment that African exports face -- and the possibility of export-led growth -- and about the likelihood of increased development assistance. Second, the Agenda underestimates the impact of external factors on Africa's crisis. We earlier disagreed with critics who see international factors as primary; they are not, nor are they
marginal as the Agenda states. Third, the Agenda has a tendency to overgeneralize. This is true both of the outcomes between countries and of the degree to which policies are similar. Price distortions, in particular, are not so general as the Agenda implies. Fourth, the Agenda's policy recommendations are too narrowly cast. In particular, the emphasis on trade and exchange rate policy is overstated. Fifth, the Agenda broadly pays too little attention to political issues and political constraints. Careful attention is not given to the budgetary implications of proposed reforms. Sixth, too little attention is paid to what are likely to be very serious problems in implementing the reforms suggested in the Agenda.

Just as critics of the World Bank, despite harsh rhetoric, appear to have responded constructively to many of the ideas in the Agenda, so too has the Bank taken its critics into account. The Bank's "Progress Report on African Development," issued in late 1983, makes concessions on several of the criticisms just mentioned. It recognizes, for example, that export-led growth may not be viable and more explicitly faces the political constraints to reform. It agrees that any long-term strategy must go beyond "taking into account" present constraints to actively overcoming them.80

An Historical Parallel

Finally, we might look at the Agenda in the broader perspective of the evolution of thinking about economic development in Africa. Those familiar with late colonial history in East Africa share a feeling of déjà vu in following the debate between the Agenda and its critics. In 1952, the Governor of Kenya Colony, Sir Philip Mitchell, facing what was a mutually reinforcing economic and political crisis that included the emerging Mau Mau rebellion, addressed a long memo to his superiors at the British Colonial Office proposing that a Royal Commission of Inquiry be sent to East Africa to examine its economic problems and suggest solutions.81 The Report of the East African Royal Commission, issued in 1955, was highly critical of previous government priorities and policies. In particular, the Report criticized of the lack of attention given to African agriculture and the role of government controls that pervaded the economy. The Commission began from the assumption
that market incentives could best stimulate all parts of the economy and that success would depend upon "the integration of the African rural population into the world economy." The Report was a blueprint for a new kind of society free from both racial segregation and bureaucratic management. (The Economist entitled its editorial on the Report, "Adam Smith in Africa").

The response of the Kenya colonial government to the Report was highly critical. Sir Evelyn Baring, who had replaced Mitchell as Governor, defended the necessity of active state intervention in the economy and was fearful about the political impact of too rapid a change in policy. On the other hand, the Kenya government had already begun to implement many of the specific suggestions of the Report, especially those concerned with expanding African agricultural output through dramatically improving the incentive structure for African peasants. Political rationality and fragility precluded the acceptance of the logic of "purposive economic rationality" in late colonial Kenya. But, important reform did occur and with it, a significant impact. While the "agricultural revolution" that the Royal Commission foresaw didn't take place, small-holder production rapidly increased and the policy reforms of the late colonial period served as the basis for the relatively successful Kenyan agricultural policy in the independence era. Plus ça change, plus c'est la même chose?
NOTES


16. For example, see International Labor Office (ILO), *Employment, Incomes and Equality* (Geneva: 1972), for such policy prescriptions addressed to the Kenya Government.


25. The FAO data is quoted on p. 50 of the *Agenda* (World Bank).


28. Ibid.


33. Green, "What are the Key Questions?" p. 18.

34. ADB, Assessment, p. 22-23.

35. World Bank, Agenda, p. 6.


37. Quoted in the (ADB) Assessment, p. 37.

38. Ibid., p. 40.

39. For example, Griffith-Jones, "A Chilean Perspective."

40. Ibid., p. 50.

41. World Bank, Agenda, p. 5.


44. ADB, Assessment, p. 37-38.

45. Ibid., p. 38.

46. Ibid., p. 41.

47. Ibid., p. 4.

48. Ibid., p. 52-53.


51. World Bank, Agenda, p. 62.


56. Leonard, "What is Rationality."

57. ADB, *Assessment*, p. 22.

58. Daniel, "Adjustment Lending."

59. Kilby, "Political Economy."


66. Ibid.


72. Shapiro, "The Limits of Policy Reform."


76. Leonard, "What is Rational."


78. Green, "African Economies in the Mid-1980's".


83. The Economist (June 18, 1955).
CRED publications can be obtained by writing to the Publications Coordinator. A check or money order (payable to: The University of Michigan) should accompany your request, unless otherwise indicated on this listing.

NEWSLETTER

CRED publishes a periodic newsletter entitled "CREDITS" which is available free of charge. Write to the Publications Coordinator if you wish to be placed on this mailing list.

PROJECT REPORTS


DISCUSSION PAPERS

CRED normally publishes 3-4 discussion papers annually, which provide preliminary reports on the research (institutional or personal) of its senior staff. In many cases, revised versions of these papers are later published in academic journals or elsewhere. Individual discussion papers can be purchased for $3.00 each; an annual subscription (based on a July 1 - June 30 subscription year) is available for $15.00. Subscriptions are also available on an exchange basis for publications from other institutions.


* Available in French and English.


