

AFRICA DEVELOPMENT

Burgess on Africa Development Progress

The World Bank president, Jim Wolfensohn has recently met with 12 African leaders at the Economic Summit in Kampala. The Heads of State were asked to propose some new ideas to solve the development problems of Africa. Apparently the leaders looked to the World Bank to provide more money, even though Africa already owes the World Bank more than US\$ 200 billion and has little to show for it.

There is no question that shortage of money is a critical problem for the leaders in Africa. There is a lot to be done, very little real investment in twenty odd years or more. For much of the 1980s there was, in fact a net negative capital outflow from Africa.

However, the additional issue is the ability to put money to good use. Successful development needs efficient use of money.

What do you mean by that?

Development has been unsuccessful because a lot of money has been used inefficiently, ineffectively.

Use of money has been inefficient for many reasons

- * Most of the money has been given or loaned to Government or the public sector
Institutions like the IMF and the World Bank have to lend to Government or the public sector
- * And governments are not efficient in their use of money anywhere ----
in the United States the private sector is a lot more efficient in its use of resources than the government at any level.... Federal... State.... City
- * If governments are more inefficient in Africa than the USA, then it really should not come as a surprise that development resources have been used inefficiently

But hasn't this been addressed by the World Bank, USAID, etc ?

- * There have been many development initiatives over the last 25 years to improve government performance in Africa but they have not made much of a difference.
- * In the jargon of development these have been institution building or capacity building projects

- * But most initiatives have had a single focus to strengthen only a single part of the government apparatus
- * There have also been initiatives with a thematic focus

What do you mean by that?

Development programs to :

- * Strengthen governance
- * More accountability
- * Achieve transparency
- * Reduce government employment
- * Increase government staff incentives

And within sectors to :

- * Expand education
- * Improve child health and infant mortality
- * Improve water
- * And in the recent past getting rid of corruption

What about corruption

Corruption has not been addressed by institutions like the World Bank or USAID or any of the other institutions until quite recently. The word was not in their lexicon.

Corruption was off limits. Only in the past year has the World Bank brought this issue to center stage. It was talked about last year in Hong Kong. Jim Wolfenson talked about corruption at the World Congress of Accountants last October.

And even now it is talk and policy -- the need for good accounting to get rid of corruption still is not being talked about

What about structural adjustment?

Structural adjustment has been a defensive strategy introduced by the World Bank when the first wave of development from 1960s and 1970s had failed - for many reasons.

Structural adjustment could have been a great program for African development - but the underlying issues in development for Africa were never addressed through the structural adjustment process. It was pretty clear structural adjustment was not going to succeed from early pretty early on.

You know there is a development problem when the priority initiatives are to expand subsistence agriculture. By definition this is an approach that guarantees a hopeless future.

You know there is a development problem when development resources are being invested in at best low return projects (if all goes right) and repayment is tied to US dollars or worse DM or Yen.

You know there is going to be a development problem when projects are planned and implemented within the domestic economy using development funds that have to be repaid in foreign currency - and the IMF comes and insists on devaluation of the currency

It would be interesting to rework all the World Bank project appraisal analysis using exchange rates that were subsequently recommended by the IMF during the implementation periods

You know you are going to have a development disaster when the World Bank is using agricultural commodity price projections based on historic trends - while the World Bank is in the process of implementing similar projects everywhere in the world where the agriculture conditions are suitable, and that will add significantly to global production.

You know you have a problem when the unit cost of procurement results in costs significantly more than world costs, even though the procurement has been done using the World Bank's international competitive bidding procedures.

Has development been on favorable terms for Africa?

The development problem in Africa has not been all Africa's fault.

There has been the geo-political agendas of the 2 superpowers has distorted African development ... and to a lesser extent the former colonial powers, particularly the French.

This was largely a military and security sector issue until the end of the cold war

Now its reemerging as a trade influence issue, particularly with strategic products such as petroleum

There has been the promotion of democracy, and multi-party elections. Has this helped development progress in Africa?

Democracy.... elections..... and multi-party politics have expanded in Africa during the past ten years.

But development has not really been helped very much by these steps.

The democracy development theme for Burundi - the elections of 1994 set the stage for the majority Hutu to gain political power over the Tutsi for the first time ever, and before any institutional framework to

protect minorities was established - something that is taken for granted in a country like the United States where individual rights are clearly set out in the Constitution and there is a whole array of organizations, public and private, that will stand up for these rights. Burundi, and Rwanda have gone backwards as a result of the Hutu/Tutsi conflict - but it was the implementation of a partial approach to development that started this round of tribal conflict.

Liberia has also gone backwards. President Doe took over by coup in 1980 (I think) and it was several years before the country deteriorated into civil war. In this time Liberia was dramatically weakened by IMF policy which devalued the Liberian dollar by accident, and the World Bank which discontinued disbursement to the country. USAID, which had been a substantial donor in the Tolbert era, cut back its support significantly in the Doe years. Doe came to power “unconstitutionally”, but Liberia failed as much as anything because he was denied the resources to do much worthwhile.

What about development solutions? What needs to be done?

Almost all of the components for successful development have been offered, but never as a really comprehensive package that helps the country to do everything that needs to be done to create sustainable development.

Africa needs an African version of the East Asia miracle - that is East Asia 1982 - 1992.

Not the period 1992 to present when an excess of money was invested unproductively which surfaced as a crisis last summer with global repercussions.

The East Asia miracle had a number of characteristics:

- Strong leadership
- Clear long term direction
- Focus on economic performance
- Private sector finance as well as ODA finance
- Export driven
- Tourism / efficient international access
 - Singapore Airlines
 - Thai Airlines
 - Cathay Pacific
 - among the best airlines in the world

Strong leadership generally got the government out of the way so that investment, private investment could go ahead quickly, earn profits and yield a good return on investment

What specifically for Africa then?

A paradigm for development that focuses on a comprehensive program for development, taking into consideration what is going on in the global context, the regions, the individual nations - in the communities, the sectors, organizations and the systems within the organizations.

A paradigm for development that recognizes the importance of people as producers, as consumers, as change agents and as the user of systems, that make up organizations.

A paradigm for development that encourages capital flows from the global financial markets

I work with the Change Institute that specializes in this approach to development -- at an intellectual level and through training to set the stage for, and implement this new paradigm for development.

I also work with the Cofina Group, which specialized in financing for Africa, and is helping to build a private investment partnership between the United States and Africa.

We think that Africa has the potential for a huge jump forward.

Asia got it half right.

Monetary policy, fiscal policy, high savings and investment, private sector encouraged, heavy education

But not all right.

Missing research, innovation (that kind of education) No invention of new products, firms and industries
And eventually too much capital with capital flowing into unprofitable investments.

OK then, in concrete terms

Government sector needs to be effective

Every government in Africa should be able to say that its accounting is good, that there is a comprehensive government financial management system that allows the government to buy things well, do things well, do the reporting well. That the accounts are good and provide accountability and transparency.

The Change Institute

Comprehensive Government Financial Management framework

Really comprehensive

High performance

There also needs to be a good framework to encourage development investment, a framework to manage national economic growth

Enabling environment for international investment

Sensitive regulation of the financial sector

The financial sector needs to be efficient

Better banking

Better central bank

Better clearing system

Better stock markets

- More reserves
- Easier international transactions
- Better framework for regulation

The professional sector needs to be encouraged

- Better accounting / better auditing
- Better laws, and application of law

The media sector should be encouraged

- More freedom
- More choice

And what else?

We also know that real money is needed to make a difference

Infrastructure needs improvement

- The road network in Africa is awful

- Air transport facilities need upgrading

- Government systems and institutions need work

Communities

- Cofina is working to get an Accelerated Country Development program available for communities

- Participatory
- Based on the best use of local resources
- Revolving fund

Individual

- Cofina is working to establish microcredit programs for individuals

- Trains individuals
- Identifies small business opportunities
- Offers credit / gets repayment

Industrial scale enterprises

- Cofina has various financing programs

- New finance
- New technology
- Investment / expansion

Education

Health

Infrastructure

Communications

Religion

**For further information:
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