

African Development Bank



Economic Research Working Paper Series

Making Public Sector Management Work for Africa: Back to the Drawing-Board

Goran Hyden
Professor, Department of Political Science,
University of Florida, Gainesville FL 32611

**Economic Research Working Paper
No 80 (November 2005)**

The views and interpretations in this paper are those of the author(s) and do not necessarily represent those of the African Development Bank.

Copyright© 2005
African Development Bank

African Development Bank
Angle des trois rues: Avenue du Ghana, Rue Pierre de Coubertin, Rue Hedi Nourira
BP. 323
1002 Tunis Belvedere
Tunisia
TEL: (+216) 71 333 511 / 7110 3450
FAX: (+216) 71 351 933
E-MAIL: afdb@afdb.org

Rights and Permissions

All rights reserved.

The text and data in this publication may be reproduced as long as the source is cited.
Reproductions for commercial purposes are forbidden.

The African Development Bank disseminates the findings of work in progress to encourage the exchange of ideas about economic research and policy issues in Africa. Our main objective is to disseminate findings quickly, so we compromise and bear with presentations that are not fully polished. The papers are signed by the author(s) and should be cited and referred accordingly. The findings, interpretations, and conclusions expressed in this paper are entirely those of the author(s). They do not necessarily represent the view of the African Development Bank, its Board of Directors, or the countries they represent.

Working Papers are available online at <http://www.afdb.org/>

Making Public Sector Management Work for Africa: Back to the Drawing-Board

Goran Hyden *

Abstract

This paper critically examines key concepts that have been dominant in the international development community in the past twenty years. Starting with an analysis of the state in Africa, it shows how the international donors have ignored many of the underlying conditions that make it weak and soft. It continues to argue that while the New Institutional Economics (NIE) is a step forward in the economics discipline by transcending the limiting conditions inherent in the neo-classical model of the “perfect” market, it encourages a definition of “market failures” that can only be perceived by economists who have the necessary overview and comprehensive information at their disposal. The paper continues with an examination of the operational experience associated with NIE and New Public Management (NPM), looking specifically at the issues of revenue collection and administration, decentralization, and civil service reform. The final part of the paper traces the evolution of donor assistance since the 1970s and argues that by working “up-streams” in the policy process rather than “down-stream” with project and program implementation, donors have become more generalists, but also further removed from the social realities of Africa. The paper makes the point that donors and governments in Africa must jointly make significant reforms that are based on their own terms rather than on those set by external agencies.

Résumé

Ce document fait une analyse critique des principaux concepts qui ont prévalu ces vingt dernières années au sein de la communauté internationale des partenaires au développement. Après l'analyse de la situation de l'Afrique, le document montre comment les donateurs internationaux n'ont pas tenu compte des nombreuses conditions sous-jacentes qui affaiblissent leur assistance. Il poursuit en affirmant que si la Nouvelle économie institutionnelle (NEI) constitue un progrès pour les sciences économiques en général, en dépassant les conditions restrictives inhérentes au modèle néoclassique du marché « parfait », elle encourage une définition de « l'échec du marché » perceptible uniquement par les économistes du fait qu'ils ont la vision générale requise et disposent d'informations complètes. Puis, le document examine l'expérience opérationnelle de la NEI et de la Nouvelle gestion publique, en s'intéressant plus particulièrement aux questions touchant le recouvrement et l'administration des recettes, la décentralisation et la réforme de la fonction publique. La dernière section du document présente l'historique de l'assistance apportée par les donateurs depuis les années 70 et fait valoir qu'en travaillant « en amont » dans le cadre du processus politique plutôt « qu'en aval » au niveau de l'exécution des projets et des programmes, les donateurs sont devenus plus généralistes, se coupant davantage encore des réalités sociales africaines. Le document souligne que les donateurs et les gouvernements africains doivent s'employer ensemble à mettre en œuvre de profondes réformes conçues par eux-mêmes plutôt que dans des conditions définies par des agences extérieures.

* Professor, Department of Political Science, University of Florida, Gainesville FL 32611. This paper has been commissioned by the African Development Bank as a Background Paper for the African Development Report 2005. Comments are welcome; please send any communication directly to the author: ghyden@polisci.ufl.edu.

Chapter I: Introduction

As the world appears to make reasonable progress towards achieving the Millennium Development Goals (MDGs), concern is still being expressed about what happens in Africa. It is being identified as the region that is furthest away from possibly achieving these goals. It is also the place where the institutional mechanisms for achieving progress are the weakest.

The Independent Advisory Board to the U.N. Secretary-General on the global plan to achieve the MDGs, in its Interim Report, has argued for more urgency and, above all, more money to help African countries to accelerate their efforts to reach the goals. A “front-loading” of grant money over the next seven or so years would, according to the authors of the report, help Africa make a leap forward through investments in physical infrastructure, poverty alleviation, and good governance. The prospect that the international donor community would be ready and able to mobilize these significant additional amounts must be deemed to be rather slim. In addition to doubts about the capacity in Africa to use these funds, there is the problem of competing concerns caused by security threats around the world.

It must also be recognized that while the emphasis on more money can be understood as a means of securing donor support along the expectations associated with Goal # 8 of the Millennium Development Declaration adopted by world governments in 2000, it is not necessarily more money – or the urgency underlying it – that will produce sustainable progress on the African continent. The idea that the developed world should show more solidarity with Africa and share more of its own resources with the region is a noble one but as long as it takes place on conditions dictated by international organizations and foreign governments, chances of success are limited.

This paper begins by critically examining key concepts that have been dominant in the international development community in the past twenty years. Starting with an analysis of the state in Africa, it shows how the international donors have ignored many of the underlying conditions that make it weak and soft. It continues to argue that while the New Institutional Economics (NIE) is a step forward in the economics discipline by transcending the limiting conditions inherent in the neo-classical model of the “perfect” market, it encourages a definition of “market failures” that can only be perceived by economists, e.g., in the World Bank, who have the necessary overview and comprehensive information at their disposal. There is very little learning going on in African circles; even less understanding in political circles what these “failures” are all about. The third chapter of the paper is devoted to an examination of the operational experience associated with NIE and New Public Management (NPM). Looking more specifically at the issues of revenue collection and administration, decentralization, and civil service reform, certain lessons, both positive and negative, are being highlighted. The fourth chapter traces the evolution of donor assistance since the 1970s and argues that by working “up-streams” in the policy process rather than “down-stream” with project and program implementation, donors have become more generalists, but also further removed from the social realities of Africa. The fifth section of the paper makes

the point that donors and governments in Africa must jointly make significant reforms that are based on incentives for institutions on the ground in Africa to develop on their own terms rather than on those set by external agencies. They must reorder the incentive structure in the African countries so that public sector management reforms are seen to work for Africa. There must be both political support for and popular understanding of how reforms can nurture a demand-driven process of development rather than one that is primarily based on the supply of larger amounts of external funding.

Chapter II: The African State in Perspective

When African countries gained independence in the 1960s, the state was the institution of choice by nationalist politicians and international donors alike. For approximately two decades, the assumption in these circles was that the state is the sole engine of growth and development. The emphasis was on accelerating the indigenization of public institutions so that they better reflected the values and priorities of the new nations. Virtually all energy was devoted to capacity-building aimed at strengthening the role of the state in development. Institutions in the private and voluntary sectors were largely ignored in the planning of development that characterized thinking in the 1960s and 1970s.

With a largely less than satisfactory performance, it eventually became apparent that the state could not deliver on its promise. The watershed took place in the early 1980s with the publication of the World Bank Report on “Accelerated Development in Sub-Saharan Africa” (World Bank 1981), sometimes referred to as the Berg Report after its key author, Dr Elliott Berg. Since then, a series of reform measures have been carried out under the overall rubric of Structural Adjustment aimed at reducing the role of the state in the economy and enhance the position of both market and civil society as contributors to national development. A second generation of public sector reforms in the 1980s and 1990s, therefore, have focused on a broader set of issues, involving changes not only in the internal structure of the public service but also the relationship between state and market, government and citizen.

While the principal architects of reform in the first two decades after independence were management consultants interested in organizational development issues, e.g., how to make the African public administration more development-oriented, the reforms in the last two decades bear the imprint mainly of economists. While the emphasis in the first wave of reforms lay on improving effectiveness, it has since shifted to one of strengthening efficiency. As will be discussed further below, this approach has concentrated on overcoming “market failures” by focusing on lowering transaction costs, reducing “rent-seeking” behaviour, and, more recently under the “good governance” rubric, on transparency and public accountability.

Neither group of reform designers has really done justice to what the state in Africa is all about. They have focused on the purely technical issues related to reforming the public sector without first examining the underlying conditions of the state in the region. They have approached the calls for reform in Africa on the assumption that what works

elsewhere must also be appropriate in the African context. They have typically marketed the most fashionable ideas in their respective profession with little attention paid to how the structural context may make a difference. Well-meaning reformers, therefore, have ended up doing public sector management work *in* Africa without really understanding what is needed to make it work *for* Africa.

There are three reasons why the reforms have usually stalled or failed to produce sustainable results. The first is the narrow theoretical understanding of the state that has been applied. The second is an inadequate appreciation of the socio-economic realities in which the state is expected to function. The third is the prevalence of informal institutions that dominate decision-making in public as well as private institutions. I shall discuss each of these challenges before ending this section by discussing how the state in Africa compares with its counterpart in other regions.

II.1. Theories of the State

It sometimes becomes necessary to step outside the mainstream to get a better perspective of what is being done and with what consequences. After almost fifty years of trying to develop the region with what are believed to be the most up-to-date tools but with little result compared to the enormous expenses incurred, one may be excused to take a second look at the conventional wisdom. The best way of doing so is to widen the use of theoretical lenses to highlight what is going on in Africa.

There are three different conceptualizations of the state that are relevant for this review: (1) the Marxian notion that the state serves as the instrument of the ruling class; (2) the state-society relations literature, drawing on the ideas of Emile Durkheim, with its focus on the legitimacy of these relations, and (3) the Weberian focus on the role of bureaucracy in the state. The principal distinctions between these three perspectives are summarized in Table 1.

Table 1: Different Theoretical Perspectives on the State

Perspective	Premise	Focus	Approach
Marxian	Conflictual	Class relations	Instrumentalist
Durkheimian	Organicist	Division of labor	Relational
Weberian	Historicist	Organization	Authoritative

II.1.a. State and class

Marx's assertion about the state rests categorically on the premise that the economic structure of society is the real foundation on which a legal and political superstructure arises. In the beginning of history, there was no state, because society didn't need it. When history comes to an end with the arrival of a true communist organization of social relations, there would, again, be no need for a state. Paradoxically, to Marxist thinkers, the future lies in a return to the past.

Their idea that a classless society that had existed prior to capitalism can successfully be recreated after the defeat of capitalism was especially attractive to many African nationalists who saw as their mission after independence to recreate a classless community drawing on indigenous ideas about the pre-colonial legacy in Africa. It featured in the minds of such prominent African leaders as Kwame Nkrumah, Sekou Toure, and Julius Nyerere. The latter, however, was the only leader who tried to take African communalism from theory to practice with his policies of *ujamaa*. For him, it would provide a historical shortcut to a more egalitarian society.

Marx himself had argued with reference to the difference between the state in Europe and North America that there is a need to see its trajectory in a historical perspective, recognizing that the past in each country provides the impetus for different stories. Thus, Marx was aware of the importance of the feudal origins of the modern state in European countries. Societies like Germany and France that have known a feudal past tend to engender a bureaucratized state capable of dominating civil society rather than a state that is a mere instrument of a ruling bourgeoisie. By controlling such key resources as the military and the police, the state in ex-feudal societies tended to acquire a certain measure of autonomy from society.

With reference to the United States, Marx argued that bourgeois society did not develop on the foundation of a feudal system but developed rather from itself, i.e. American society is not the remnant of a centuries-old movement, but rather the starting-point of a new movement. As a result, the state was right from the beginning in U.S. history subordinate to bourgeois society and to its production. It could never pretend, as the case was in France and Germany, to be autonomous or an end-in-itself. Because it started off as an instrument of the bourgeoisie, the state in the U.S., in comparison with continental Europe, has always remained minimal and much more responsive to demands from civil society and business.

So what does this suggest for our attempt to understand the state in Africa? Without the presence of a corporate ruling class like the bourgeoisie, one would expect a scenario similar to that of France or Prussia – a strong and centralized state. Such was the scenario in colonial days, when European officials ruled African territories in response to bourgeois interests in the metropolitan countries. The colonial state enjoyed a definite measure of autonomy because it was sanctioned, not by African society, but by foreign interests.

Scholars who emphasize the continuity between colonial and post-colonial rule tend to go wrong because they overlook the completely different social basis of the state that emerged after independence as African nationalists took it over. Not only did they have the vision of restoring a form of development that reflected African values. What is more, they took charge of the state, not as a corporate class, but as representatives of different ethnic group interests. Even though the struggle against colonialism had brought them together in a more or less united front, their arrival at the gates of the state after independence forced upon them the challenge of working out a governance formula that accommodated these many contending group interests.

In this context, it is difficult to suggest that the state served as an instrument in the hands of a class that had identical interests. The vertical divisions along ethnic and other similar lines that characterized African countries turned the state into an arena where conflicting group interests had to be resolved. The main preoccupation of the political leaders was not to use state power to pursue a common interest that they shared as members of a ruling class. Instead, it was bringing to the state demands that originated in the communities that they represented and thus bargain for the best possible deal. In this respect, the state in post-colonial Africa resembles that of the United States rather than continental Europe. It was weak, because it acted in response to society. “Bringing home the pork” is a common measure of political success in the United States as well as Africa. The big difference, however, is that the state in the U.S. is an instrument in the hands of a corporate class, while in Africa it is an arena from which to draw as much resources as possible. Patronage, while present in the U.S., therefore, is severely constrained by state formalism, while in Africa it is liberally practiced because formal rules do not have the same significance as in the U.S.

There is, of course, some variation on this theme, even some exceptions. The most significant are those countries like Ethiopia and the Maghreb countries in the north where there is a tradition of indigenous state formation. With the possible exception of Algeria, the political dynamic in these countries has been dominated by social cleavages that are domestic rather than the division created by colonialism between foreign and national elites. The state in these countries has been more resilient and more difficult to subject to the kind of reforms that the international development community has advocated in recent years.

II.1.b. State and society

If Marx is the quintessential theoretician of conflict, Durkheim is the apostle of peaceful and stable development of society. The latter believed, contrary to Marx, that the division of labour is the principal force behind the transformation of a social system. His organicist thinking was very much a product of prevailing systems of ideas in the latter part of the 19th century, according to which social history could be explained by the division of labour, because societies, like biological systems, develop as a result of constantly increasing specialization of their organs, each of which is responsible for performing certain specific functions. Division of labour, in this perspective, is not only an instrument of modernity, but it is also a source of new social structures and hence new forms of power.

Foremost among those new forms of power is the modern state. In fact, Durkheim believed that the greater the development of society, the greater also the development of the state. With societal development the state is being asked to take on more and more functions and thus bring them together in a centralizing and unifying fashion. Advances in centralization parallel advances in civilization. This was such a self-evident proposition to Durkheim that he claimed that no historical law is more firmly established than that one. In short, the necessity of division of labour gives rise to a centralizing state. He contrasted the modern centralized state with societies where division of labour is

unknown. There, he argued, solidarity cannot arise from the division of labour. Instead, it must be produced by strong external constraints imposed by custom and religion. The state in such societies is not distinct and thus insignificant in determining development.

This point is important in the sense that Durkheim saw the rise of the state as a mechanism of weakening the hold groups have over individuals. He went as far as arguing that the essential function of the state is to liberate individual personalities. The implication was that with the rise of the state, citizens would gain freedom from the control of such institutions as community and church. Unlike Marx who saw division of labour as alienating, Durkheim saw it as emancipating. Similarly, while Marx treated bureaucracy as a phenomenon that must be combated, Durkheim treated it as progressive, because the agents of the state act in the general interest.

Durkheim's worry stemmed from another source. Like Tocqueville a generation earlier had warned of the tyranny of the majority, he saw the roots of despotism lying in the emergence of an atomized mass society in which no primary or intermediary group, no association or corporation is available to limit the power of the institutionalized state. Thus, while he clearly saw more in state-society relations than his organicist perception of development typically allowed, he failed to address these concerns in a way that would cast new light on his thesis about the relationship between advances in civilization and advances in state control.

The main problem with applying Durkheim's analysis to Africa is that the state, with the exceptions above, never developed in response to a spontaneous division of labour driven from within Africa. To be sure, the colonial state was meant to perform civilizing functions such as reducing the control that communities had over individuals, but foreigners performed this task. Their ability to institutionalize such social changes had its own limits. That is why, at independence, political leaders and civil servants, filling the gap left by the departing colonial officials, embarked upon a process of "bringing the community back in". Even though African society, even in colonial days, had been far from the atomistic entity that Durkheim foresaw as a threat, the emphasis since independence was to reinvent and strengthen communitarian ties that had been deliberately weakened by colonial policy. From a Durkheimian perspective, it appears as if they decided that taking one step backwards was necessary in order to take two steps forward. In other words, a return to a more endogenous approach to development would, in the long run, facilitate a division of labour that was more truly reflective of African society than anything that had been institutionalized under colonial rule.

What has happened across the African continent since colonial days is a shift from one crisis of legitimacy to another. During colonialism the crisis that eventually emerged in these societies was the discrepancy between the values underlying the operations of the state, on the one hand, and the norms guiding African communities, on the other. The success of nationalism brought about a change so that after independence the crisis that has come to dominate the political scene on the continent is the inability of the state to operate as a distinct institution free from the constraints of community and church. Even in those instances where the military has seized power of the state with the intention to

suppress “tribalism” and other such manifestations of communitarian identity, the efforts have largely failed.

II.1.c. State and bureaucracy

While class and society were more important concepts to Marx and Durkheim than the state, the latter was central to Max Weber, the father of modern political sociology. He is the first to treat political institutions as having a logic and history of their own. Weber was interested in such concepts as domination, power and authority. His own interpretation of history was based on looking at the transformation in the mode of government. For example, feudalism in Weber’s eyes could be explained with reference to how the control over the material means of domination is being exercised, notably through a regime of private property in the instruments of violence and diffuse appropriation of the means of administration.

Weber recognized the importance of history but did not embrace the notion that it is evolutionary or dialectic. Instead, his main concern was to identify historical types of domination across social boundaries. His main contribution along these lines was to identify three “ideal types” of legitimate domination: (1) charismatic, (2) traditional, and (3) rational. No claim is made that these forms of domination succeed each other in any particular order, although subsequent generations of scholars, e.g., those embracing modernization theory like Apter (1965), have tried to provide an ordering that implies a move from traditional to rational means of legitimate domination with a brief spell of charismatic authority prevailing in the “moment” of transition.

The interesting thing about the African state in this perspective is that it follows the reverse order of what happened in Europe. Historically, according to Weber, states arose in connection with efforts to deal with problems inherent in traditional systems of domination in which the hereditary power of a lord or a king prevailed. The latter maintains control over his underlings, whose help he needs to administer his territory, either by feeding them at his own table, remunerating them in kind, or awarding them a fief. The state, as we know it today in its rational and legal form of domination came about in response to countering the “patrimonial” approach to domination inherent in the traditional type. Weber was convinced that the rise of rational bureaucratic forms of administration was what gave not only state but also society its modern character (Badie and Birnbaum 1983:20). Modern societies are characterized by the emergence of exclusive legal domination, which is revealed chiefly through the formation and development of an institutionalized bureaucracy, literally the instrument of the modern state.

This transition from traditional to modern forms of domination did not always happen without conflict and violence. In fact, a look at European history suggests that it was almost always characterized by both forward and backward movements. It was in such contexts that the charismatic form of domination often arose. It relied on personal rather than traditional or rational authority. Among the instances of charismatic domination in European history that he cites are Cromwell, Robespierre, and Napoleon, all of whom established plebiscitary forms of democracy, in which their own authority provided

guidance. Charismatic authority, however, is difficult to sustain over long periods of time because it calls into question the relevance of economic calculation. As a result, it always gives way to other forms of legitimizing power.

With the end of patrimonialism, the state becomes a distinct institution within society. It differentiates itself from society and becomes institutionalized. In order to complete this process successfully, however, the state must be able to compensate its servants so that they truly identify with their functions and, as far as their role is concerned, sever their ties to other social groups.

Although the colonial state in Africa was a poor replica of the modern state that had taken form in Europe toward the end of the 19th century, it was in a historical perspective, as Young (1994) points out, the first colonial state to include the features of a rational-legal bureaucracy. The history of the modern state in Africa began where the modernization of the state in Europe had ended. Its modern features became increasingly pronounced as colonial rule was effectively institutionalized. It was very much an institution distinct from society. Colonial officials were adequately compensated and administered the African territories very much in accordance with what they saw as their modernizing mission.

The independence of the colonial state from African society eventually became an issue, as nationalist leaders called into question not only how their territories were being ruled but also what kind of policies were being imposed upon the population. The nationalist leaders were heroes who could call upon their personal charisma to lead. Like Cromwell and Robespierre before them, they could appeal to the notion of a plebiscitary democracy, in which their command of the masses would be particularly important. The difference, however, was that Nkrumah, Nyerere, and the others who led nationalist movements in Africa did not call into question traditional but modern forms of domination. It was the impersonal rather than the personal nature of the state that was the issue.

II.2. The Significance of Community

As suggested above, in a historical perspective, there has often been a tension between community and state. In the history of Western Europe, community is often portrayed as standing in the way of both individualism and a strong sovereign state. Capitalism and the modern state grew together in those societies. Capitalism rarely launched direct attacks on the local communities. It could live with some aspects of what they were all about. All the same, it was uneasy with social entities that lay between the individual, on the one hand, and the global market, on the other. Communities were potentially dangerous, because they provided an identity based on locality, land, language, or sect that might limit people's mobility and reduce their willingness to become part of a factory-based, city-dwelling work force. Community, therefore, in the 19th century was more like an obstacle to be cleared than an institution to be valued for its identity-forming qualities. Even those who were generally critical of capitalism typically shared this view. Marx and his followers, for example, treated consciousness of community instead of class as "false" consciousness.

This aversion toward community remained in Western Europe and North America way into the 20th century. When, at the end of World War II, strategies were devised to bring about decolonization and development in Africa neither the liberal-capitalist, nor the Marxist school of thought was ready to give prominence to community. For example, modernization theorists in the late 1950s and early 1960s saw the community in African countries as a barrier, which had to be hurdled as a condition for progress, especially when the community took the form of clan or ethnic group (Geertz 1963). Primordial ties had to be loosened and identification with the state and its central institutions encouraged if these countries were going to develop in an orderly fashion. Similar ideas could also be found among the Marxists. Bill Warren (1980) agreed that capitalist penetration of countries in the South might be painful but it was inevitable and desirable. Attempts to preserve incompatible historical formations, including traditional communities, were merely romantic folly.

The first scholar to really question these perspectives with reference to Africa was Peter Ekeh (1975), a Nigerian sociologist, who argued that in the absence of a nation-state, where the boundaries between community and state would tend to coincide, African countries were characterized by much more tension between community and state. In fact, he went as far as claiming that Africans have no loyalty to the civil institutions of the state – what he calls the “civic” public realm – but instead nurture their membership in a local community based on a primary social organization such as lineage, clan or tribe. It is this “primordial” public realm, as Ekeh calls it, which commands loyalty in African societies. The result is that the institutions that were inherited from the colonial powers at independence are essentially milked of resources to feed communities.

Ekeh’s perspective on this set of issues was that Africans had resorted to their community identity as a response to the threats posed initially by slave trade and later by the colonial state. He criticized the notion of an evolutionary trend toward greater identification with the state and argued instead that community-state relations in African countries have remained contested. With independence, leaders of particular communities were able to take over state power, but because they had no loyalty to it, their natural reaction was to treat it as a prey. His study is crucial to understanding the problematic nature of the state in Africa.

This means that economic relations in Africa were embedded in social organization. Rudimentary state formation occurred within the confines of local communities. Once the colonial powers left Africa some forty years ago, Africans – leaders and followers alike – preferred a return to what they were most familiar with from home. This has left Africa with two features that are much more pronounced there than in societies with more advanced agricultural technologies and higher levels of socio-political complexity.

The first is that politics is more about control of people than of land or territory. Land was never individually owned. It belonged to a lineage, clan or ethnic group with the chief or a group of elders holding it in trust. The purpose of politics in pre-colonial society was to accumulate subjects in order to rule, not land. Whether these societies had

the initial trappings of a state or not, the purpose of government was to represent the powers of lineage groups, which in turn had corporate control of specific land areas – a point that anthropologists have repeatedly made (Kopytoff 1987). Success was not measured in terms of territorial but social reach.

This takes us to the second feature, which is that there was no border, only a frontier. Rulers did not really seek to stake out territorial boundaries in the way that their counterparts tried to do in Europe and Asia. The Americas may be different in the sense that the region was also characterized by an “open” frontier. The notion that it was “open” is of course misleading in several respects, because there were indigenous peoples who were removed or killed in order to provide space for the expansion of new immigrants moving further inland. The difference, however, is that in the Americas, especially the north, where independent individuals engaged in technological and economic entrepreneurship, survival and ingenuity were responsible for pushing the frontier in new directions, while in Africa this entrepreneurship was socio-political in nature. More specifically, three things happened. One was for rulers to acquire new adherents. Such acquisitions came with conquest, not of land but of people in the form of slaves and women who would add to the prestige and power of the ruler. A second thing was for rulers to seek alliances with other rulers in order to strengthen their position vis-à-vis neighbouring enemies. Diplomacy was an important means to maintain peace in pre-colonial Africa. The third thing that happened on the African frontier was that people “voted with their feet” and deserted the ruler to whom they had pledged loyalty in the past. Some of these migrants established themselves on land where no existing lineage claimed control; others sought refuge under the protection of another ruler.

Much has of course changed since pre-colonial days, but ever since Ekeh produced his thesis about the two “publics” in Africa, there has been a growing recognition that this lineage orientation survives in contemporary Africa. Whether in politics or in the marketplace, it manifests itself through enduring bonds of family ties, restructuring of kinship relations, patron-client networks, and other forms of primary reciprocities founded upon affective and oftentimes highly moral criteria. As the many studies of the “pragmatic” use of ethnic entrepreneurship suggest, such frontier methods are an integral part of how politics in Africa is being conducted (Young 1976; Kasfir 1979). Community-centred networks are not atavistic remnants of the past, but conscious creations by individuals seeking to enhance their political fortunes or social status in society.

II.3. The Role of Informal Institutions

The prevalence of a community-centred orientation in contemporary Africa can only be fully understood against the background of the embeddedness of its political economy (Sangmpam 1995). This means that the line between economy and culture is blurred. The latter cannot be dismissed as mere residue that is best externalized from any calculation about what to do. What economists tend to dismiss as culture is in fact in the African context a very fertile ground for the emergence of institutions – albeit informal ones. That is why the economy of affection with its emphasis on investment in personal

relationships is so strong in Africa. It leads to at least two things that characterize African politics. The first is the tendency to rely on informal rather than formal institutions. In societies where face-to-face relations and primary forms of reciprocity prevail, there is no need for external rules and impersonal authorities to enforce social action. Communities take it upon themselves to enforce rules.

The economy of affection is not an expression of irrationality or altruism. Nor does it have anything to do with romantic love. It is a practical and rational way of dealing with choice in contexts of uncertainty and in situations where formal rules or institutions are experienced as too confining or in other respects inadequate. People engage in affective behaviour and create informal institutions for a variety of reasons. They may do so from a position of either strength or weakness. They may do it when faced with opportunity or constraint. Three motives for engaging in affective behaviour will help illustrate it here: (a) gain status, (b) seek favour, (c) share benefits, and (d) provide a common good.

The rationality of affective behaviour needs an explanation. The autonomous, self-maximizing individual is no longer the model of man that even economists work with. There is a broad agreement that institutions, while helping to overcome “market failures”, nonetheless are constraining individual choice. Rationality is bounded by formal rules. Thus, firms can make the market operate better while at the same time set boundaries for what individuals can choose or do (Williamson 1985). Individual choice and behaviour, however, is not constrained merely by formal rules. Informal ones matter too. And they may be more influential in determining human behaviour and choice than the formal ones. An individual is not just an “organization man”, the description of human behaviour once offered by William Whyte (1966). Thus, rationality in the economy of affection is socially embedded in the sense that it presupposes personal interdependence. For instance, A seeks out B as a shortcut to obtain a good otherwise beyond his grasp. But it is also rational for B to accept the request, because it gives him influence over A (or a “credit” that he can call upon in the future). An informal “deal” is often preferable because it does not entail the wait and uncertainty associated with formal collective action. Nor does it carry the threat of free-riding that Olson (1965) discusses. It rests on the assumption of shared expectations, not the maximization of a particular goal that relies on the organizational reconciliation of an N range of individual preferences.

The economy of affection makes a lot of sense for individuals in many circumstances, be they characterized by constraint or opportunity. Poor people would act together or seek out a patron to help them achieve what they could not do on their own. Entrepreneurs, in economics as well as politics, would take advantage of opportunities available to them to seek and dispense favours. Like the market economy, therefore, the economy of affection deals with growth and redistribution, innovation and safety. The difference is that in the latter, contractual agreements are not needed. There is no standard, like money, to gauge the value of specific exchanges. Terms are never precise, always ambiguous. That is why the economy of affection is more political than economic in the strict sense that the latter is being interpreted in the neo-classical version of the market.

It may be useful at this point to set the informal institutions discussed here in the comparative context of their formal counterparts. Table 2 summarizes the extent to which the economy of affection relaxes the standard assumption underlying the neo-institutionalist theories.

Table 2: Comparison of Formal and Informal Institutions

Variable	Formal institutions	Informal institutions
Type of exchange	Impersonal	Face-to-face
Approach to rules	Rule of law	Rules in use
Character of rules	Written	Unwritten
Nature of exchange	Contractual	Non-contractual
Time schedule	Specified	Non-specified
Actor premise	Organizational goal adherence	Shared expectations
Implications of agreement	Precise compliance	Ambiguous execution
Transparency	Potentially open to scrutiny	Closed and confidential
Conflict resolution	Third party body	Self-enforcement

There is a great variation in the informal institutional sphere. They can most simply be arranged along two parameters: (a) whether membership is open or closed, and (b) whether they are built around lateral or vertical relationships. Examples of informal institutions would be: (a) clientelism, (b) polling, (c) self-defence, and (d) charisma. These types are not necessarily mutually exclusive. Empirically, they often co-exist. While they are especially significant in the African context, these are universal categories. They can be found everywhere, albeit in different degrees.

II.3.a. Clientelism

Clientelism is one of the most prolific informal institutions around the world. Judging from the literature, it certainly is pervasive in Third World societies, both in and outside of politics. Although it is not gender-specific, it is typically associated with masculine figures of power. Rene Lemarchand (1972) rendered the first systematic account of clientelism in African politics. His treatment of this informal institution was quite appreciative: a political patron brought to the political centre a large following that facilitated national integration. In retrospect, one may argue that Lemarchand’s treatment of clientelism was the informal equivalent of Lijphart’s “consociationalism”, the political order found in some multi-cultural countries in Western Europe (Lijphart 1977). Even in these European countries, the political centre has been held together by a series of “deals” among representatives of cultural groups sharing state power.

This positive account of clientelism has gradually become more critical, if not negative. “Neo-patrimonialism” – the ultimate form of clientelism in politics – has become the principal concept in Africanist political science. The prevalence of clientelism in African politics is evidence that formal institutions are weak. The introduction of multi-party politics has only reinforced affective relations, because competition for power and

resources has intensified in the new political dispensation (Bratton and van de Walle 1997). Clientelism is deemed problematic, especially in circles that are concerned with improving governance in African countries. It keeps African countries barely afloat, but it does not help them swim forward.

II.3.b. Pooling

The pooling concept serves as a generic classification of all forms of cooperation in groups that are organized along voluntary and self-enforcing lines. These groups are not sanctioned by law; instead, they are constituted by adherence to unwritten rules. Examples include criminal organizations like the Mafia and Chinese *tongs*, where the closure of the group is very strict. In each example, breaking the informal code may result in death. The blood oaths that members of this type of organization generally take to certify their unquestioned loyalty serve as surrogate kinship bonds that all of them swear in order to trust one another in situations in which betrayal is very tempting (Fukuyama 1995:101).

The family is the most basic social organization and it features – directly or indirectly – in many of the examples of lateral informal institutions that can be found around the world. Informal institutions in which the family is important prevail in societies where voluntary associations such as schools, clubs and professional organizations have yet to acquire influence in society. As Fukuyama (1995:62-63) also notes, cultures in which the primary avenue to sociability is family and kinship rather than secondary associations have a great deal of trouble creating large, durable economic organizations and therefore look to the state to support them (Putnam 1993).

II.3.c. Self-Defence

Self-defence refers to informal institutions that mobilize support against a common threat or enemy – whether real or perceived. Affection is a powerful instrument to achieve this. It binds people together across narrower organizational boundaries. Modern African history is full of examples of how affection has been used to generate mechanisms for self-defence.

The struggle for independence in Africa is a case in point. With the colonial power as a common enemy, Africans who had never before cooperated voluntarily joined hands calling for political emancipation. To be sure, these struggles were officially carried out under the auspices of formally registered political parties, but it was their “movement” character that infused them with the extra power to succeed. Financial resources available to the nationalist movements were quite limited. Instead, they had to rely on informal ties of reciprocity to propel them in the desirable direction. This became especially apparent in the liberation movements of southern Africa that had to survive in exile or in combat zones under conditions that inhibited the growth of formal institutions.

The use of affection in self-defence is a more pronounced phenomenon in Africa than in Asia. A major reason is that Asian societies have been permeated by a single religion or philosophy. For example, Confucianism has defined social relations in China over two thousand years. Even though its ethical principles have not been in the form of a national

constitution, Chinese, regardless of social status, have internalized these principles (Rozman 1991). In Africa, customary norms were never universal and only confined to small-scale societies. Although similarities did exist among these societies, they were not enough to form the basis for a national constitutional and legal framework. Instead, what held the new nation-states together was a perceived need to guard against an enemy from within or without. This was done through affective ties that were generated as complement to the formal structures in place.

II.3.d. Charisma

Charisma, one may argue, is the ultimate informal institution. “Charismatic”, according to Weber (1947:242) is defined as “devotion to sanctity, heroism or exemplary character of an individual person, and the normative patterns or order revealed or ordained by him”. Although the origin of the concept is different, Weber applied it broadly to refer to all individual personalities endowed with supernatural, superhuman, or at least specifically exceptional powers or qualities. Such people included a great variety like heroes, saviours, prophets, shamans, and even demagogues. Weber himself is not easy to understand on the issue of what charismatic authority really is, but, in short, his treatment of the concept is meant to capture the revolutionary moment in history. At the same time, he makes the point that charisma is not sustainable without routinization. In the study of law and administration, scholarship has treated the role of charisma as instrumental in transforming traditional or customary authority into a new type, in Weber’s language called “rational-legal” authority.

In Africa, the story of charisma is different. It seems important especially in terms of filling the gap that exists between formal institutional structures, on the one hand, and customary and informal institutions, on the other. The affinity with the modern common or civil law that was brought to Africa by the colonial powers is virtually non-existing, except in professional legal circles. What counts are the principles of the past that a charismatic figure – a politician or a religious minister – may invoke. By wishing to reinvent something genuinely “African”, these persons seek legitimacy based on the sanctity of age-old rules and powers. This is inevitably a process of informalization. Compliance in this scenario is not owed to enacted rules but to the persons who occupy positions of authority or who have been chosen for it by a traditional master. Galvan (2002) provides an intriguing and empirically rich case study of how this process works among the Serer in rural Senegal. Innovations or adaptations, even if they lead to “syncretic” institutions, are legitimized by disguising them as reaffirmations of the past.

II.4. Africa in Comparative Perspective

What are the main conclusions that we can draw from theoretical and empirical insights discussed above?

- Unlike the other regions of the world, the state in Africa is typically not an organic outcome of indigenous state-society relations. The colonial state was inherited from above. Instead of serving as a modernizing agent after independence, it has been domesticated to align with local values.

- The state in Africa lacks the corporate character found in other regions that follows from being controlled by a social class with a commonly defined interest. Because it is subjected to infinite demands from local communities representing primary forms of social organization, the state is more concerned with redistribution of goods and services than with ensuring economic growth.
- The division of labour – or technological development – in Africa continues to be at a more rudimentary level than in other regions. The vast majority of the population ekes out a living without being dependent on its regulations. The result is that they are not likely to respond to policy incentives and can usually find ways of circumventing formal sanctions.
- Unlike most other regions of the world where modernization is an explicit and legitimate goal, African nationalism has been aimed at reversing those processes set in motion by the colonial state. Thus, instead of improving the conditions for the creation of a “rational-legal” type of public administration, the political leadership has typically made them more difficult.
- Unlike other regions of the world, Africa lacks a single unifying religion, philosophy or “civilization”, e.g., like Protestantism in Europe and Confucianism in China that provides an ethical justification for service to a supreme body like the state.
- The state in the vast majority of African countries is still at the stage of being formed – or redefined – and not like elsewhere in the process of being consolidated and refined as a corporate body.

It is easy to see that these are a number of very fundamental differences between Africa, on the one hand, and other regions, on the other. Still, none of these really feature in the debate among policy analysts and practitioners. They tend to focus on only technical policy issues, e.g., the state’s role in funding industrialization by way of loans or subsidies and its capacity to collect revenue. This focus on policy is understandable, given that policy implies agency and the prospect of improvement. The problem is that these analysts and practitioners do not ask themselves the hard question: what specific policy instruments are best for Africa? They rather take what is already on the shelf and working elsewhere. The problems of this approach will be discussed in the next section.

Chapter III: Theories of Development

Much water has flown under the bridge since the concept of development was first adapted for use at the international level in the late 1940s and early 1950s. The history is long and has many twists. What is often overlooked, however, is that the shifts that have taken place are the results of an often unsatisfactory, if not negative, experience with the way the development concept has been operationalized. Development itself, in other words, has always been a moving target, thus constantly generating demands for new approaches. It is possible to identify at least four distinct ways by which the international community has tried to make operational sense of development.

The initial manner goes all the way back to the days of the Marshall Plan, the first major transfer of public capital to enhance the pace of international development. Influenced by the success that this Plan had in generating reconstruction of Western Europe, economic analysts began to turn the same Keynesian ideas on which it rested into universal recipes. With these efforts, a new field –development economics – was born. In the perspective of these economists, development in the emerging states of what has since become the Third World or the South would be best achieved through transfers of capital and technical expertise (Rapley 1996). This philosophy prevailed in the last days of colonial rule and the early years of independence in Africa. It was also applied to Asia and Latin America with few modifications. Being lodged in a modernization paradigm – implying that development is a move from traditional to modern society – this approach was characterized by great confidence and optimism. Although it was not reconstruction but development that was attempted in these instances, the challenge looked easy. Defined largely in technocratic terms, development was operationalized with little or no attention to context. The principal task was to ensure that institutions and techniques that had proved successful in modernizing the Western world could be replicated.

The intellectual efforts were concentrated in two directions. One approach was to produce comprehensive national development plans as guides for what policies should be prioritized. These plans stated the anticipated macro-economic conditions under which specific program and project activities should and could be developed. Projects took on special significance. They constituted the means by which macro goals could be realized. Good project design was the key to success. It is no exaggeration to suggest that in this first phase of development thinking that lasted into the latter part of the 1960s, the *project* level was regarded as most important. Project design, however, was the prerogative of technical experts. It was done on behalf of potential beneficiaries without their input. Government and other public institutions were identified as responsible for ensuring effective implementation. Private and voluntary sector organizations were ignored. Development, then, was a top-down exercise by public agencies *for the people*.

The second phase began in the latter part of the 1960s, when analysts and practitioners had begun to recognize that a singular focus on projects in the context of national plans was inadequate. The critique followed at least two lines. First of all, projects designed with little attention to context typically had more unanticipated than anticipated outcomes. For instance, the assumption that development would ‘trickle down’ from the well endowed to the poor, thus generating ripple effects, proved to be mistaken. Secondly, projects were inevitably ‘enclave’ types of intervention with little or no positive externalities. For example, evaluations confirmed the absence of meaningful backward or forward linkages in this type of interventions. Analysts concluded that the project approach failed to realize improvements, especially in the conditions of the poorer segments of the population. Convinced that something else had to be done to reduce global poverty the international community decided that a sector-wide approach would be more effective. In operational terms, this meant substituting project for *program* as the principal concern.

The important thing in this second phase, therefore, became how to design integrated programs that addressed not a single dimension of human needs but the whole range of them. For example, integrated rural development programmes became very fashionable instruments of action. As a sequitur, governments also engaged in administrative reforms that stressed the value of decentralizing authority to lower levels of government organization in order to enhance coordination and management of these new sector-wide programs (Caiden 1991). Another thing that happened in this second phase was the growing emphasis on education and training of the masses. Human capital mattered. While capacity building in the first phase had been concentrated on the elite, the second focused on such areas as adult education and universal primary education, the assumption being that these measures were integral parts of a poverty-oriented approach to development. That is why during this phase the main idea can be said to have been development *of the people*.

At the end of the 1970s there was another shift, this time of even greater consequence than the first. It was becoming increasingly clear that governments could typically not administer the heavy development burden that had been placed on their shoulders. This was most apparent in sub-Saharan Africa, where the state lacked the technical capacity, but it was acknowledged also elsewhere because of bureaucratic shortcomings. Government agencies simply did not work very efficiently in the development field. Placing all 'development eggs' in one basket, therefore, was being increasingly questioned as the most useful strategy. So was the role of the state in comparison with the market as an allocating mechanism of public resources (Meyer et al 1985). As analysts went back to the drawing board, the challenge was no longer how to manage or administer development as much as it was identifying the incentives that may facilitate it. The strategic focus was shifted to the level of *policy*.

The World Bank, mandated by its governors, took the lead on this issue and with reference to sub-Saharan Africa, the most critical region, produced the Berg Report mentioned above. It came to serve as the principal guide for structural adjustment in Africa in the 1980s, although the strategy was also applied in other regions of the world. These reforms, in combination with parallel financial stabilization measures imposed by the International Monetary Fund, were deemed necessary to "get the prices right" and to free up resources controlled by the state that could be potentially better used and managed by other institutions in society – particularly the private sector. However, this period also witnessed an increase in voluntary organizations around the world and preliminary efforts to bring such organizations into the development process. With more responsibilities delegated to the market, private and voluntary organizations could play a more significant role in working with people to realize their aspirations, whether individual or communal (Korten and Klauss 1985). Even though the economic reforms tended to create social inequities, the basic premise was that non-governmental organizations could do with the people what the government had failed to do for the people. Again, the perception of development had changed, this time to being an exercise done *with the people*.

The new thing in the 1990s has been the growing recognition that development is not only about projects, programs and policies, but also about *politics*. For a long time, politics and development were seen as two separate and distinct activities. Development analysts, especially economists, preferred to treat ‘development’ as apolitical. Out of respect for national sovereignty, donors and governments upheld this dichotomy for a long time. It is only in the last ten years that it has been challenged. Although it is controversial in government circles in the Third World, there is a growing recognition that ‘getting politics right’ is, if not a precondition, at least a requisite of development. The implication is that conventional notions of state sovereignty are being challenged and undermined by the actions taken by the international community, notably the international finance institutions and the bilateral donors. United Nations agencies also find themselves caught in this process. For example, human rights violations, including those that limit freedom of expression and association, are being invoked as reasons for not only criticizing governments of other countries but also withholding aid if no commitment to cease such violations and improvement is made. Underlying this shift toward creating a politically enabling environment is the assumption that development, after all, is the product of what people decide to do to improve their livelihoods. People, not governments (especially those run by autocrats), constitute the principal force of development. They must be given the right incentives and opportunities not only in the economic but also the political arena. They must have a chance to create institutions that respond to their needs and priorities. Development, therefore, is no longer a benevolent top-down exercise, not even a charitable act by non-governmental organizations, but a bottom-up process. As such, development is now seen primarily in terms of something done *by the people*.

The discussion so far is summarized in Table 3. The discussion above does not imply that projects and programs have been abandoned as mechanisms of development. It only suggests where the focus has lain and how it has shifted over time. The most important observation is that in the last two decades, development theory has been increasingly concerned with issues at the macro level. It has been a question of “fixing the system” by policies and governance measures. It is in this context that such theories like the New Institutional Economics, New Public Management, and Governance have emerged. In the rest of this section, I shall examine each one of them.

Table 3: Shifts in Development Thinking and Emphasis from the 1950s to Date

Period	Focus	Emphasis
1950-60s	Project	For the people
1970s	Program	Of the people
1980s	Policy	With the people
1990s-Date	Politics	By the people

III.1. New Institutional Economics

New Institutional Economics (NIE) has been the dominant mode of thought within the discipline of economics and among economic policy advisors for now two decades. Its

significance has been recognized internationally in the form of at least two Nobel Prizes (Coase 1991 and North 1993). Its message is rather simple, but one that was initially overlooked as the neo-classical approach to economics was rehabilitated in the 1980s. Thus, the initial policy prescriptions issued by the international finance institutions under the Structural Adjustment label ignored institutions and preached the message of perfect market rationality. This more radical edict may be understood as a way of pinpointing as explicitly as possible how dramatic a change was required in countries where the economy had been extensively regulated and managed by the state, as the case was in Africa in the 1960s and 1970s. The problem with the initial phase of Structural Adjustment – largely through the 1980s – was twofold. By virtue of its strong words in support of market liberalization, it generated a lot of political opposition. African governments, working through the U.N. Economic Commission for Africa (ECA) in Addis Ababa, came up with their own “softer” version of reform – The Lagos Plan of Action. With little or no funding backing it, however, it was a non-starter. The second part of the problem was its naïve operational assumptions. Especially in Africa where markets were little developed and the prospects for market perfection were dim, the neglect of institutions was particularly damning for the advocates of Structural Adjustment.

From a purely operational point-of-view, therefore, the NIE must be viewed as a step forward because it begins from the assumption that institutional structure exerts an important influence on human behaviour and choice. It transcends the micro-economics of the more orthodox model which assumes economic efficiency under ideal-type conditions of perfect information and foresight. As such, NIE helped extend the range of applicability of neo-classical theory. Its basic assumptions and terms may be summarized as follows:

- It emphasizes that people are different, with varied tastes and preferences; hence, the state, firm, or political party could not be treated as if they were individual agents.
- Individuals are assumed to seek their own interests as they perceive them and maximize utility subject to the constraints established by the existing institutional structure.
- Preferences of decision-makers are recognized as incomplete and subject to change over time; hence the notion of “bounded rationality”, originally attributed to Herbert Simon (whose Nobel Prize award may also qualify as recognition of institutional economics).
- In addition to rationality being bounded, human behaviour may be dishonest in the sense that people may disguise their preferences, distort data, or deliberately confuse issues; hence, what Williamson (1975) calls “self-seeking with guile” and the need for contracts to be regarded as incomplete.
- A country is able to develop economically only if property rights exist and contracts are being respected; society, therefore, must be concerned with the social arrangements that regulate the transfer of property rights in reliable manners.

- The property-rights configuration existing in an economy is determined and guaranteed by a system of rules and the instruments that serve to enforce these rules; hence, the concern with governance structures that secure such rights.
- The concept refers to a set of working rules that are actually used, monitored, and enforced when individuals make choices about the actions they will take; these rules may arise spontaneously on the basis of the self-interest of individuals or come about as a public authority, e.g., parliament, tries to introduce an institutional structure it deems appropriate.
- Institutions together with people taking advantage of them are called organizations and they require real resources to operate; hence, the notion of transaction costs associated with using the market and securing adequate coordination within an organization as well as between such structures.

The NIE approach, as it has evolved in the practice of international finance institutions in recent years, also has its problems. From an African perspective, there are two major issues: (1) its assumptions are generally too restrictive, and (2) its emphasis on exchange is at the expense of issues relating to the prevailing modes of production in the region. Even if it may have helped many African countries gain accelerated rates of economic growth in recent years, the question must be raised about its relevance to efforts aimed at improving public sector management for development. The following issues are certainly worth considering:

- NIE is good at offering diagnostic steps, but is much less effective when it comes to providing solutions. Thus, it helps us recognize market failures in new ways, but, as Bates (1995:40) suggests, when it comes to solutions, the recipe is much less clear.
- NIE is too functionalist making the assumption that institutional solutions arise in response to failures occurring in the way the “perfect” market operates. It assumes that institutions, like the World Bank, with more comprehensive knowledge than individual actors in the market-place possess the necessary information to solve the problem.
- Because it is functionalist in its mode of application, NIE legitimizes top-down interventions at the systems level that typically lack the support of key political actors. Thus, because the proposed reforms are sweeping, they tend to become politicized. The result is that reforms are being ignored or resisted.
- Because NIE is part of a larger effort at economic liberalization on the global level, it tends to give priority to failures occurring in the market without paying enough attention to other issues that are critical for national development. Particularly striking is the scant attention that economic analysis today gives to technology and Africa’s rudimentary mode of production. Earlier efforts, justified in the context of Old Institutional Economics, at industrialization in Africa have been reversed and the many countries have suffered “de-industrialization” since the 1980s. The domestic economic base of African countries, therefore, has deteriorated. The opportunities for investment are seized by foreigners or

immigrant minorities with ties to the global economy, like the Indians in East Africa and the Lebanese in West Africa. From a political perspective, this trend is a potential time-bomb.

- The rudimentary technology and modes of production that prevail in Africa means that the assumptions of NIE rarely hold that the principal issue in need of resolution is the social dilemma arising from an infinite number of individuals autonomously pursuing their own interest. NIE assumes that this conflict between private interests and public solutions can be resolved satisfactorily through specific institutional measures. This takes for granted the prevalence of a policy orientation that is rarely there in African contexts, because rational individuals find other ways of resolving disagreements between themselves.
- More specifically, NIE assumes the notion of common goals that individuals can only obtain by agreeing upon a sub-optimal solution within the context of some form of institutional arrangement that encourages collective action. In Africa, however, where division of labour has not yet brought people together into functional interdependencies, people negotiate informal solutions based on the notion of shared expectations, not a common public goal. The typical approach to problem solution is more like a “deal”, i.e. where the two parties agree that if A gives something to B, the latter can expect something in return, even if its not specified in contractual terms.

The NIE runs into difficulties in Africa, therefore, because its universal assumptions are not relaxed far enough to receive political traction in these countries. By giving priority to issues of efficiency rather than effectiveness, it also denies actors in Africa an opportunity to learn how to organically build institutions that last. The way NIE is sometimes being implemented too indiscriminately amounts to placing the cart before the horse. It sits in the way of solutions that are more proximate from an African perspective, but overlooked because the model does not include them.

III.2. New Public Management

New Public Management (NPM) may be viewed as an outgrowth of NIE in that it shares many of its underlying premises about the need to treat institutions from the perspective of enhancing efficiency in public transactions. It certainly complements the latter and thus can be described as its “intellectual soul-brother”.

Its origin lies in the calls for administrative reform in Western countries that reflected neo-liberal concerns about making public services more efficient and service-oriented. Governments, as monopoly providers operating under the auspices of the Keynesian welfare state, had become very inefficient. Offering citizens more choice would stimulate competition and thus efficiency. Faced with what in the 1970s became a financial crisis, governments in many countries, e.g., United Kingdom, Australia, Sweden and New Zealand, initiated measures not only to cut but also to control public expenditures. This quest for efficiency and effectiveness in government operations led to a surge of effort to reorganize and modernize public bureaucracies and to move public sector management

reforms to the top of the political agenda in these countries. Economic liberals like Hayek (1973) and notable public choice theorists like Niskanen (1971) and Buchanan (1975) provided the theoretical justification for these public sector management reforms.

NPM, then, is a short-hand for a range of administrative reforms that were initiated in the OECD countries from the late 1970s onwards (Larbi 1999). A review of the publications by some notable analysts and advocates of NPM, e.g., Hood (1991), Pollitt (1993), and Ferlie et al (1996), suggests that the concept is not homogenous. Many different components are typically subsumed under its label. These may be conveniently organized into two major clusters: (1) making the public sector more managerially oriented, and (2) creating an economic and political environment in which this managerialism can flourish. More specifically, these two broad components of reforms contain the recommendations provided in Table 4.

Table 4: NPM and Its Core Measures

Variable	Managerialist Measures	Enabling Factors
Professional Management	Delegating management authority within public services	Breaking up existing bureaucracies into separate agencies
Output Control	Results orientation and funding of outputs, not inputs	Encouraging greater public awareness by adopting “citizen charters”
Operational Efficiency	Greater discipline and parsimony in resource use	Greater competition in the public sector and fees for services rendered
Terms of Service	Flexibility in hiring and firing employees	Downsizing the public service and limit union influence
Budgeting	Make budgets more transparent in accounting terms	Encourage governments to become more enterprising by earning, not spending

By stressing these largely private sector management practices, the objective of the NPM movement has been move away from the classical Weberian model of public administration which is rule-oriented and rigid and instead provide a smaller, flexible service-delivery organization that would have to be user-responsive and outcome-oriented to survive. In the NPM model, the private sector is seen as not just setting an example for the public sector, but also serve as its extended arm in providing services to the public.

In the specific African context, the emergence of NPM is best understood in the light of reforms carried out under the Structural Adjustment banner. Recovery and adjustment were not possible without an approach to reform that went beyond the parameters of the first public sector reforms in the late 1960s and 1970s (Wamalwa 1991; Balogun and

Mutahaba 1991). This first generation of reforms had been carried out in the context of Africanizing and professionalizing the system of public administration that had been inherited from the colonial powers. The predominance of this system for delivery of goods and services were never called into question. The level of ambition of the second generation of reforms, and notably NPM, is much higher and thus more complex and difficult, especially in countries like those in Africa, where the private sector is weak in influence and politics tends to permeate the way the public service operates.

The fervour with which NPM was being pursued by the international donor community some years ago has been tempered by experience. A uniform template for reform rarely works across the board. The following lessons from implementing NPM measures in Africa may have contributed to the realization that market-inspired reforms of government “failures” don’t really work very well in conditions where the state remains weak and subject to informal influences:

- Whereas the downsizing of the public sector in African countries has been significant, in some instances like Ghana and Uganda up to 40 per cent, the cost savings have been much less, in most cases a mere 6-7 per cent, largely due to high compensation costs in a context of previous low salaries (Larbi 1995). Retrenchment is a costly exercise, as evidence from North Africa also confirms (Bulmer 2000).
- The creation of independent executive agencies has proceeded quite far in many African countries and while those like revenue authorities have helped increase government income, they have also incurred high managerial costs stemming from the need to pay top executives salaries competitive with those of the private sector. In the more specific cases of decentralization to sub-national units, serious problems have arisen in monitoring their use of funds, thus increasing rather than lowering transaction costs (Ayee 1997).
- More countries than in any other region have adopted user fees for health care services in Africa. In the mid-1990s only three countries – Angola, Botswana, and Sao Tomé & Príncipe – had no user fees in the government sector (Adams and Hartnett 1996). The problem in most countries that have adopted this system is that management and accounting capabilities have been inadequate to support cost recovery programmes. The gains, therefore, have remained modest, if any at all (Larbi 1999:32).
- Performance standards have been introduced in many African countries and have in some instances contributed to improving public services. Such reforms in the Tanzanian public sector are a case in point. At the same time, there is evidence that many employees are feeling that their remuneration is not commensurate with what they are expected to do (Economic Commission for Africa 2003)

The NPM has not succeeded in eliminating the clientelistic tendencies that tend to permeate African governments. While in such a context the creation of independent agencies is a step in the right direction, the manner in which NPM has been introduced as a “technocratic” fix, its full effectiveness is still to be harvested. African public services

are being subjected to the influence of at least three models. In addition to NPM, it is clear that the principles of the classical model of public administration continue to be important. So are the more informal practices associated with neo-patrimonialism, the notion that principal run organizations at their personal discretion with little or no regard for formal rules (Olowu 2003). The principal distinctions between these three models of administering or managing the public sector are summarized in Table 5.

Table 5: Three Models of Public Administration Operating in Africa

Dimension	Neo-Patrimonialism	Classical Model of Administration	New Public Management
Organizational Objective	Maintenance of Power	Law-and-Order	Development
Service Rationale	Ruler	Rule	Result
Organizational Structure	Patriarchal	Hierarchical	Disaggregated
Operational Mode	Discretionary	Mechanistic	Decentralized
Staff Orientation	Upward	Inward	Outward
Career System	Favouritist	Fixed and Closed	Flexible and Open
Handling of Failures	Blaming Others	Denying Responsibility	Learning Lesson

The way that African public services operate reflects cross-cutting influences from all three models. They sometimes contradict each other and make work very hard. In other, more fortunate instances, they may complement each other. Whichever way, however, because of cross-cutting influences, implementing the objectives of NPM is continuously an uphill battle.

III.3. Governance

Governance is the third of key concepts that have been applied to public sector reform efforts in Africa in recent years. It is part of the international development vocabulary and often used rather indiscriminately to cover a whole range of reform packages from economics on to administration and politics (Kjaer 2004). It is possible, however, to distinguish between at least two different uses of the term: (1) as a way of managing complex organizational arrangements in a disaggregated system (cf. NPM above!); and, (2) as a reference to how well formal rules are adhered to by actors in the public realm. The former is rather practical and managerial; the latter more normative and focused on measuring performance with regard to key reform objectives, like transparency, public accountability, respect for human rights, and so on. The international discourse on “good governance” centres primarily on this second usage of the term.

The first usage of the term is closely related to NPM and the two are sometimes treated as part and parcel of the same reform effort. Governance, however, has a separate rationale in that it relates to the overarching coordination of policy implementation in an increasingly disaggregated and, therefore, more complicated system of organizational relationships. In a public sector managed along the lines of NPM there are a number of operationally independent actors whose decisions and actions must be harmonized. Management consultants tend to believe that such coordination can be achieved by non-political means, e.g., by creating crosscutting networks of mutually interdependent entities. Hence, in this perspective, governance is a rather apolitical term; in fact, one that is meant to neutralize politics. Experience from African countries, however, demonstrates that not only are NPM reforms in and of themselves political, but so are also the operations of such a system. Disagreements among agencies or between a ministry and an executive agency are easily politicized. The result is often that implementation is blocked or side-tracked. For instance, agencies are not ready to share the necessary information with others concerned in order to have a problem solved in an effective manner (ECA 2003). Governance, therefore, is essentially a recognition that following NPM reforms, not only have the boundaries between public and private sector activities been blurred. So has the line between politics and administration. In fact, many of the political responsibilities have inadvertently fallen into the hands of managers. Their professional ambitions are being compromised by having to take on matters that really embroil them in political controversies.

The second usage of the governance concept transcends the managerial issues that arise under NPM. It applies to the overall quality of not just the public sector but the “system” at large, including therefore the relationship between state and society, public and private sector, and government and citizen. With some oversimplification, one might say that the normative purpose of governance is to promote the rule of law. This translates into a number of measures aimed at making state officials more compliant with the rules and roles that prescribe their behaviour. Foremost among these is the concern to lower corruption in the public sector. Transparency International issues an annual “Perceptions of Corruption Index” that ranks countries according to how key actors, notably in the business sector, perceive corruption in relation to a set of specific indicators. The World Bank Institute is the lead agency when it comes to aggregating data on governance, specifically to how it relates to such issues as rule of law, the extent to which governments are transparent and publicly accountable, and how far citizens have an undisputed opportunity to participate in politics (Kaufmann et al 2004). None of these approaches to dealing with governance is free of controversy. For instance, should governance be measured primarily in relation to corruption as Transparency International does? Or, how useful are the aggregate measures of governance that the World Bank Institute uses? One seems too narrow, the other as if it is mixing apples and oranges (Hyden et al 2004).

The U.N. Economic Commission for Africa (ECA) has initiated a series of country studies of governance in Africa, but the results are still to be published. It is clear that conducting surveys on governance is potentially controversial in government circles in

many African countries. This is especially the case if handled by independent agencies. That is why government-controlled Statistical Bureaus have been asked to carry out these surveys, although they typically lack the competence to do a political analysis of the findings. Much of the same hesitancy seems to exist when it comes to the “peer review” mechanism of governance initiated by the New Partnership for African Development (NEPAD). The international pressure on governments in Africa to accept participation in this process has been so great that few have not indicated their willingness to be “examined”. The extent to which findings will be made available to the public and thus serve as a way of holding governments more effectively accountable is still not known. There is still a widespread feeling in government circles that the measures being used are imposed on them by the international community.

III.4. Operational Practices and Experiences

There are many aspects of the ongoing economic and political reform process that could be covered here. For reasons of space, however, it is impossible to dwell on every interesting issue. I have chosen here to focus on three related components of these reforms that are significant for understanding what is going on in Africa: (1) reform of the civil service, (2) reform of the fiscal regime, and (3) decentralization. These three components are not the only ones of importance but together they reflect much of the core effort in improving public sector management. It should also be added that the components are interrelated. The issues covered here inevitably overlap in the practical context.

III.5. Civil Service Reform

The objective of improved performance in public sector management has been captured by the French expression: “*moins d'état, mieux d'état*”, meaning a leaner but better performing state sector (Adamolekun 1999:14). Civil service reform, however, has not proved particularly easy to implement. There are at least four reasons for these difficulties: (1) political, (2) financial, (3) organizational, and (4) technical. These difficulties notwithstanding, the picture of what has been achieved so far is mixed.

III.5.a. Political reasons

Civil service reform in Africa is potentially a more contentious issue than in other developing countries, because the percentage of people employed in the public sector is quite large. A cut, therefore, is making a big dent in the employment figures. Africa is of course not the only region that has seen a reduction in public employment. This has happened in Latin America and other parts of the world as a response to the demands for reducing state involvement in the economy. The difference, according to one observer, however, is that the contraction of the civil service has been across the board, both in central and local governments (Schiavo-Campo 1998).

The reduction in number of employees, which has typically been the first step in a series of reforms, has its easy as well as difficult components. Conducting censuses to identify names of people who are no longer employed but still being paid (“ghost workers”),

eliminating vacant posts and introducing a hiring freeze, belong to the category of relatively non-controversial measures. These measures have helped the way to a reduction in number of public sector employees. Forced retirement and actual retrenchment have proved politically much more costly, especially since the private sector in Africa does not help absorbing many of those retrenched. In many countries, notably in French-speaking Africa, there is also a tradition of employing university graduates into the civil service. The idea of screening and selecting only a few of all graduates has been politically difficult to introduce, although it has happened in the Ivory Coast and Niger, like it did earlier in many English-speaking countries where the same tradition existed but gradually vanished in the 1970s.

Another reason while retrenchment has been difficult to sustain in a planned fashion is that the civil service is nested in politics. Whereas many governments agreed to reduce the number of ministries as part of the retrenchment exercise – Uganda went from 34 to 21 – they have often resorted to the temptation of increasing the number of ministries again. Presidents and prime ministers need these ministries to reward political supporters. It looks like the introduction of multi-party politics has reinforced the pressure to reward followers as part of coalition-building in government. The result is that democratic reforms have often worked against the necessary consistency in reforming the civil service.

State elites are important actors in getting reforms done, but political support has sometimes been lacking. Uganda and South Africa, and more recently Tanzania, are among the countries where the reform effort has enjoyed political backing. Even so, there is inevitably conflict among politicians and civil servants regarding both scope and pace of reform (Therkildsen 2001). Wherever trade unions are strong, they weigh on these issues and may delay, or even stop, reforms that they regard as unpalatable. In countries like Mozambique where organized interest is weak, the main issue is not the politicization of the reform process but rather lack of qualified staff to manage it (Suleman and Kayizzi-Mugerwa 2001).

III.5.b. Financial issues

The main idea behind civil service reforms is to reduce the government wage bill, but that has proved more difficult than was anticipated. A study of the French-speaking countries in West Africa shows that the record is quite mixed. While Burkina Faso and Mali have succeeded in containing labour costs in the civil service (measured as percentage of total recurrent expenditures), these costs have remained at best stagnant in the Ivory Coast and Niger, and has in fact increased in Senegal (Danielsson 2001:6-7). Costs in the French-speaking countries have been difficult to contain, because civil servants are subject to regular raises regardless of performance after a certain number of years of service.

Retrenchment is meant to free up money for paying remaining civil servants a higher wage, but this has also proved more elusive than expected. Many of those who have been forced to leave their position are not necessarily the least productive. It has simply been difficult to identify a set of indicators that could be used to keep the best and get rid of

the worst. The focus has typically been on the lower levels – drivers, messengers, and clerks – where the savings are minimal.

In North Africa where there is a long tradition of strong centralized state, the challenge has been particularly great. Retrenchment has been accompanied by heavy expenditures of compensation for those leaving the service. No real financial gains have been possible to make in countries like Algeria and Egypt, where the labour laws are effectively enforced and where there is a widespread fear of increasing the ranks of the unemployed (Bulmer 2000). For instance, in Morocco severance pay increases with seniority. Severance pay in other countries in Africa is also quite costly to government. In Ghana, for example, severance is equivalent to 4 months of base pay plus 2 months of base salary per year of continuous service. In Guinea Bissau civil servants are entitled to ten months of salary per year of service.

As a result of an extensive salary compression in most African countries after independence, there was eventually pressure to find non-monetary benefits to compensate for relatively low levels of pay, especially among the senior grades. Housing and transport allowances were among the most common, but per diems in conjunction with travels and related allowances constituted a major part of the total cost to government. In Tanzania, for example, these allowances were four times bigger than the base pay. During the 1990s, the Tanzanian Government brought this situation under control by simplifying the pay structure and payroll systems – from 196 grades and 36 different types of allowance to 45 grades and only 7 allowances (Therkildsen 2001:25).

The relatively few tangible benefits to the government that have come out of civil service reforms in African countries are also recognized by the World Bank itself – the chief sponsor of many of these reforms. In a 1999 evaluation of 124 loans made for such reforms between 1980 and 1997, the conclusion is that these projects were largely ineffective in achieving sustainable results in downsizing, capacity-building, or institutional reform. In addition to “significant political difficulties”, blame was laid on a too technocratic approach, and a failure to mainstream institutional analysis and develop a coherent framework for intervening in administrative systems (World Bank 1999:iii). This poor performance record has driven some analysts to more radical positions, such as suggesting that the problem in Africa is “not too much, but too little state” (Olowu 2003). Relative to GDP or total public revenue, the civil service may be oversized in Africa, but are these the appropriate indicators? If improved economic performance is the ultimate objective, civil service reforms may achieve more if focused on raising GDP and enhance the revenue base, not just retrenching its servants.

III.5.c. Organizational issues

Whereas the main attention so far has been paid to the issue of coping with downsizing the civil service, it is clear that in recent years greater emphasis has been laid on improving its quality. Given the low organizational capacity of the service prior to reform, this has not been an easy exercise. In addition to low salaries, civil service systems have been hampered by rigid hierarchical organizations that suffer from both too long lines of authority and too wide a span of control. In short, ministerial organizations

have had too large mandates and too little capacity to deal with them, given low pay and bureaucratic red-tape. Although top civil servants are generally well-trained in African countries and constitute valuable intermediaries in negotiations with foreign donors, their influence over policy and involvement in policy management have been very meagre. Judging from reports on civil service reforms in Africa, the situation varies in degree, but the structural obstacles tend to be the same. One consultant summarized the major problems in the Ugandan civil service, as follows (Langseth 1996):

- dysfunctional civil service organization;
- inadequate personnel management and training;
- insufficient management and supervisory skills;
- inadequate facilities, assets and maintenance culture;
- inadequate pay and benefits;
- inadequate ethics, transparency, and accountability;
- distortions in the salary structure;
- underestimation of the required minimum wage;
- unanticipated negative consequences of decentralization; and
- vagueness of civil service reform policy.

Not all these are organizational shortcomings, but many are. They reflect the lack of an appreciation of management issues that have been present in the civil services for many years. Especially troublesome has been the tendency for politicians, notably cabinet ministers, to interfere in the day-to-day operations of the service. The very first generation of African civil servants after independence made this their principal complaint when they used to meet in their annual Ford Foundation-sponsored seminars that eventually led to the formation of the African Association for Public Administration and Management (AAPAM), headquartered in Nairobi (Rweyemamu and Hyden 1975). The civil service continues to lack the autonomy that it needs to be an effective entity in policy management and implementation.

Against this background, one should not hold too high expectations about reforms that have made the civil service more effective. One of the more interesting innovations in recent years borrows a leaf from the New Public Management. Improved accountability is an important aim of the reforms. Performance management contracts – for ministries, executive agencies, and managers – are being introduced in countries in eastern and southern Africa (Therkildsen 2001:41). Other accountability measures include attempts to empower citizens vis-à-vis service providers through Citizen Charters – in places like Tanzania called “social contracts” – public complaints arrangements, and service delivery surveys. All these are important steps in the right direction, although progress may be slow.

III.5.d. Technical issues

In the light of all the problems that civil service reforms have encountered at political, financial and organizational levels, it is no surprise that very little attention has been given to the more technical aspects of reform. In the early days after political independence, much of the capacity-building effort was concentrated on enhancing

technical proficiency. Technical assistance experts occupied important advisory positions in African government ministries. Many African civil servants benefited from training courses both at local Institutes of Public Administration and specialized courses overseas. These opportunities are much more difficult to come by these days. In short, training and capacity-building don't have the same degree of urgency as they used to have.

One reason is that employees in these services are considered to be generally better qualified than they were in the 1960s and 1970s. There are still countries, like the Portuguese-speaking, however, where employees lack requisite technical skills to do their job well. A second reason is that the earlier experience with capacity-building proved to be generally unsuccessful. Staff completed their courses, but upon return to their departments, they found it very hard to employ these newly acquired skills for both political and cultural reasons. Politicians showed little appreciation of their new professional competence. Others in the organization often showed jealousy toward the returnee. In short, therefore, these costly investments in training did not produce much result on the ground.

As a result of the proliferation of Information Communication Technologies (ICTs) throughout the world, the technical skills needed today are different. Some secretaries and other employees have upgraded themselves by becoming conversant with the use of computers. Most of them, however, restrict their use of the computer to typing documents and using the email facility. In comparison with other regions of the world, Africa lags much behind. An urgent need exists for ensuring that tax and customs administrations are being computerized. Such a program would not only be enhancing capacity but would also contribute to enhancing faster payment and, above all, better auditing.

The Economic Commission for Africa (ECA 2003) acknowledges this shortcoming and is recommending African governments to consider the following measures to make an "e-Government" possible in the future:

- create an enabling environment for the development of ICTs;
- eliminate import tariffs on ICT-related services and equipment;
- accelerate the development of electrical power and other ICT infrastructure;
- foster the use of a language most accessible to the public user;
- make "cyber laws" available to the public so that ICT systems have same legal validity as documents stored on paper; and
- computer science should be included in school curricula and private and public training facilities should be developed.

This agenda is extremely important if African countries are not going to be further marginalized in the global context. The government services, with the exception of the Ministry of Finance, tend to function with an outdated technology. Much of what is available through ICT is not being used because of lack of skills and experience. Without implying that there are any real shortcuts, nonetheless, an investment in the rapid development of ICT services in the public sector is an inevitable part of making it more efficient and effective in the future.

III.6. Reform of the Fiscal Regime

Reforming the fiscal regime has been a priority in Africa for a variety of reasons, the most important being built-in inflationary tendencies in the pre-reform economies and the high levels of aid dependency in many African countries. The first of these problems relates to how well the monetary regime is free from immediate political pressures; the second to how African governments may be able to enhance their domestic revenue collection.

III.6.a. Dealing with inflation

During the first couple of decades after political independence African governments tended to conceive of development as primarily spending money on new projects. Each such measure was in and of itself “development”. Many of these efforts were funded by donors, but the recurrent expenditures that accompanied each new initiative fell on the shoulders of the African governments. It was an escalating process without any real brakes. The donor governments themselves at the time raised no real ideological objections, because they were generally believers in a Keynesian approach to economics, implying that deficit spending was generally good for development. Following the crisis in the world economy in the 1970s and the necessary adjustments that were made in accordance with a neo-classical approach to economics, concern gradually grew over the detrimental effects that inflation was having on African economies. The International Monetary Fund had to take on the politically sensitive task of enforcing a new fiscal regime that literally placed a stop on spending if there was no money in the government treasury available to pay for it.

This implied quite drastic measures, especially in those countries which had the most serious problems with expenditures being made without real financial controls. For instance, in Zambia, the authorities were forced to adopt a fiscal regime which essentially “zero-based” public expenditure: no expenditure was possible without the accumulation of sufficient revenue to finance it. The new rules were enforced by denying line ministries direct access to the central bank overdraft facilities. This made the Ministry of Finance the effective controller of public spending that it had never before been able to be. These new measures which bound government to operate with a balanced domestic budget proved to be successful in reducing inflation (Adam and Bevan 2001).

Uganda, faced with the same inflationary problems, adopted an approach that was somewhat more flexible allowing for a “cash flow” system which permitted greater adjustment within the yearly budget cycle. Thus, the Ministry of Finance was able to maintain detailed control of monthly releases to spending ministries while at the same time stay within the available resource envelope.

In both these countries – like in so many other places where the same fiscal regime was enforced – it came with both costs and benefits. It brings into public policy management a fiscal component that had previously been absent. Ministers had to gradually adjust to the hard reality that government expenditures cannot be made on only political grounds. It also helped convince sceptical donor governments that their African counterparts could deal with fiscal issues in a constructive manner if given the right policy incentives or

sanctions. Strict adherence to the new rules, however, also had its definite costs. First of all, it placed the burden of adjustment squarely on the expenditure side and especially on the operational and maintenance vote (since salaries could not be touched). Stasavage and Moyo (2000), for instance, report that cash-budget rules tended to favour politically powerful ministries at the expense of weaker but equally important ministries. The second cost comes from forcing governments to become too narrowly focused on achieving financial stabilization by relying on cash budgets only. There are obviously other mechanisms such as price stabilization that are potentially equally important, especially in countries, like those in Africa, where monetary policy is relatively underdeveloped.

As suggested above, expenditure control has also involved making the Central Bank in African countries less susceptible to political interference. In the pre-reform days, it was not uncommon that powerful political figures, notably the head of state, would demand cash from the Central Bank to meet purely personal expenditures or politically favoured projects that had no approval in the official budget. Thus, even if the Bank was formally meant to enjoy operational autonomy, it was constantly subjected to interference by powerful political figures who the managers could not afford to challenge without incurring punishment. These central banks have a key role in helping countries achieving financial stabilization. Although their opportunity to function in a professional manner is still in doubt in some countries, the performance of central banks must be viewed as one of the few true success stories in the reform period. These institutions, more than any other, serve as the bulwark against a return to the level of financial instability that characterized the earlier period.

III.6.b. Enhancing revenue collection

The accelerated investment in new projects and programs during the 1970s by donor governments created a vicious cycle by which maintenance and recurrent costs grew exponentially to a point where African governments could no longer meet these expenses on their own. This problem could have been avoided if more efforts had been paid to strengthening domestic revenue collection in these countries. The argument in the 1980s, therefore, was that aid dependency was the result of inadequate efforts to meet the need for increased recurrent expenditures from local sources.

The growing concern with raising domestic revenue has resulted in various institutional reforms. One has been the creation of an autonomous tax revenue agency that is not subject to the bureaucratic rules and career terms of the civil service. Another has been reform of the customs service, allegedly one of the most corrupt institutions in these countries.

A comparative study of tax revenue shows that its share of GDP in African countries in 1995 was on average 15.7 per cent, considerably lower than the corresponding figures for industrialized countries, but slightly higher than the figures for Asia and the Middle East (Stotsky and WoldeMariam 1997). Within Africa, there was considerable variation with countries in southern Africa generally showing much higher percentages and French-speaking countries demonstrating lower averages.

The figures for Africa are not surprising, given that per capita income levels are low and many countries are still dominated by subsistence agriculture. It is worth noting that the lower levels tend to correlate especially with the share of agriculture – or mining – in GDP; in other words, the more a country relies on agriculture or mining, the lower its revenue share of GDP. At the same time, the greater the share of export in the economy, the higher the level of revenue share tends to be. The only other variable that correlates positively with revenue share of GDP is level of income; the more income people have, the more likely that they can pay their taxes (Stotsky and WoldeMariam 1997).

Many countries in Africa have increased their share of revenue since 1995. They have done so largely by improving the collection effort. It was not uncommon in the past that people with economic and political influence could avoid paying their taxes. They either bribed the revenue officer or simply intimidated those who tried to collect the due amounts. These behaviours have not disappeared completely today, but there is generally a better climate for effective revenue collection today than before. The growing reliance of value-added tax (VAT) has shifted the revenue regime from being dependent on direct taxation of income or import and export tariffs. Problems of enforcing the new tax rules exist. Many businesses engage in unofficial exchanges that are not recorded and thus escape revenue collection. Such problems notwithstanding, the introduction of VAT has been a measure to enhance public revenue. Export and import tariffs have been lowered in the interest of freer trade and cheaper consumer goods. Although the importation of cheaper goods from other countries has had the effect of putting many local producers out of business, it has also created a more competitive climate in which entrepreneurship is beginning to flourish both in the formal and informal sectors of the economy.

Having to pay personal tax in an African country has never been very popular, not just because people are poor but also because they have seen little benefit from their contribution to public revenue. The item that has raised strongest opposition among the public is the local “development tax” – and its equivalents – that is essentially a tax imposed on each household. Being a leftover from colonial times, it has always been politically controversial. Collecting it has been an expensive exercise and more money has typically been spent on collecting it than the revenue it generates. For these reasons, it has now been abandoned in some countries, e.g., Tanzania. From the point-of-view of an efficient tax regime, steps like that make sense. From a governance perspective, however, it can be criticized for leaving the majority of the population without any direct reciprocal link to the state. It takes away the possibility of fostering a sense of civic spirit, but it could be that such a measure is better promoted in a situation where the economy has become more differentiated and the conditions for a more effective state exist.

III.7. Decentralization

Decentralization has been promoted in recent years for two reasons. One has been because it potentially fosters more effective use of funds. The other is because it helps advancing democratic participation. Both are part of the “good governance” agenda of the international donor community. Making sense of decentralization schemes in African

countries, however, has proved to be both difficult and controversial. It is not at all clear, therefore, that public sector management necessarily stands to gain much from such measures.

III.7.a. Greater effectiveness

Decentralization was for a long time largely a choice between deconcentration and devolution: should authority be delegated within existing central government structures or be delegated to autonomous local government bodies? Both were pursued with an effectiveness objective in mind, but little, if any, consideration was given to the economic costs and benefits of either scheme. This has changed in recent years as institutional analysts have insisted on greater attention to the fiscal consequences of one or the other. Thus, the idea that decentralization is inherently good is now subject to stricter measures.

This has become an issue in many countries around the world, not the least those where cities and provinces have had the right to borrow independently of central government in the global capital market. Argentina and Brazil in Latin America are cases in point. In Africa, local government units have not been allowed to borrow independently of central government. The issue there has been the opposite: that they lack the capacity to effectively use their authority because they are institutionally underdeveloped. This argument has two components. The first is that they are unable to raise enough revenue of their own. The other is that they don't have the capacity to make good use of funds granted by central government.

With regard to the significance of local revenue collection, the situation varies from one set of countries to another. Thus, for instance, French-speaking countries tend to rely more extensively on local revenue than their English-speaking counterparts or countries like Ethiopia. A report by the U.N. Capital Development Fund of local government initiatives in four African countries – Ethiopia, Uganda, Mali and Senegal – show that the latter two derive between half and two-thirds of their total revenue from local sources. The equivalent figure for the former two is between 10 and 20 per cent (Winter 2004). This variation, however, must be placed in the context of the scope of responsibilities these bodies have. The local authorities in rural Mali and Senegal have quite specific and limited functions. The central government, through its offices, still administers most of the development activities in the country-side. Thus, the fact is that they raise more local revenue but for more limited functions. In Ethiopia and Uganda, by contrast, the range of functions is broader and the reliance on revenue from other than local sources thus more extensive.

Because decentralization is nowadays assessed not only in political or administrative but also economic terms, there is greater hesitation to let funds be used by local governments without strict conditions. This means that grants-in-aid by the central government in English-speaking countries tend to come with conditionalities very similar to those that donors issue to African governments. Special contractual agreements are meant to secure adherence to specific performance and accountability standards. The “moral hazard” associated with delegation of funds, however, remains. Seen in the light of a principal-agent model, there are two particular problems. One is the gap between theory and

practice, between formal and informal, which renders contractual agreements much more difficult to enforce and adhere to. The second is that local agents have a greater informational advantage over their principal – the central government – when it comes to using the funds in particular ways. They can always find ways to justify alternative uses and get away with it, politically as well as legally (at least most of the times).

Decentralization of funds from central government and the extent to which revenue collection should be decentralized have become more contentious issues in recent years because it is not clear that it enhances greater efficiency or effectiveness in use of scarce resources. The standard models that have been tried so far have not really provided convincing evidence that one model or the other works better in Africa. In fact, one of the outstanding issues in public sector management is the ability to find an institutional solution that links the micro and the macro levels in African countries together in more productive relationships.

III.7.b. Greater participation

Participation is often heralded these days as an integral part of the good governance agenda. Through participation, actors get involved, concerned, and begin to sense a measure of ownership of “development”. Much of this thinking is in reaction to ideas prevailing in earlier years, when development was perceived as the responsibility of government. Citizens then were at the receiving end of what amounted to a top-down approach to development.

Participation, however, is a term with more than one meaning. For some, it means adequate consultation. For others, it refers to casting one’s vote in an election. For yet others, it may have that more encompassing meaning of full involvement in a development activity. One can distinguish, therefore, between a minimalist and a substantivist definition. Those interested in political reforms are likely to be most concerned with electoral participation; those interested in development may be more inclined to support the substantivist version. Finally, those whose main concern is with efficient use of resources may, at least in the uncertain institutional environment of African countries prefer a version of participation that does not involve giving up the purse strings. A consultative and more conditional approach would be preferable.

Looking at the literature on decentralization in Africa, therefore, it is clear that what is being decentralized and to whom matters. The experience with decentralization in Africa varies, but it raises the following issues as challenges to future application of the idea:

- Responsiveness or responsibility? These two terms are often viewed as compatible in the context of local governance. The African experience, however, suggests otherwise. Responsiveness might enhance local involvement but the latter is no guarantee that funds will be used more responsibly. There is a trade-off, therefore, that must typically be made in the African context.
- Few or many functions? There is variation between French-speaking countries that may be said to offer too few functions for local governance and the English-speaking countries which offer too many. No one can ignore the path dependency

that the French and British colonial legacies respectively have left in Africa, but to what extent do countries need to break out of their traditional mode of thinking on the issue of decentralization in order to provide an institutional solution that enhances the dual objectives of legitimacy and effectiveness?

- Traditional or non-traditional institutions? As a result of colonial practices, there is again variation on the ground in African countries. The British were more inclined to practice “indirect rule”, i.e. rely on traditional authorities to administer development. The French, on the other hand, relied more on direct rule, i.e. officers whose authority stemmed from their modern education only. Because direct rule, however, never fully penetrated African society, and African governments failed to extend their authority after independence, there are many local pockets in French-speaking countries where traditional institutions exist and function as part of an official or unofficial system of local governance. Similarly, there has been a revival of interest in traditional institutions in countries like South Africa and Zimbabwe which used to rely much more extensively on non-traditional institutions modelled on European experiences. The institutional solutions to Africa’s problems of development are likely to remain unresolved and won’t be adequately handled as long as the political elite fail to break out of the box of conventional wisdom.
- Efficiency or Effectiveness? The Report of the United Nations Global Forum on Local Governance and Social Services for All emphasizes that the single greatest virtue of local governance is its closeness to the people who are being governed (UNDP 2000). The question, however, is how far those advocating decentralization are ready to let people “learn to walk” before they are being asked to “run”. There is a tendency to assume that institutional solutions that define efficiency are also promoting greater effectiveness. That is not always the case, because it limits the extent to which actors are able to learn from their own experience. There is reason to assume that allowing others to “reinvent the wheel” is sometimes not a waste but a more realistic way to progress. Being able to internalize the values of a particular mode of operation often comes more effectively from learning on the job rather than theoretical training in the classroom. This is a point that is particularly relevant to efforts aimed at finding better solutions to the relationship between national and sub-national (read: local) units of government.

Chapter IV: The Role of Donors

Donors continue to play an important role on the development scene in Africa. Although there was a slight downturn in the flow of aid to Africa in the 1990s it has since increased again. This is partly in light of the needs to deal with Africa’s problems, partly in response to greater confidence that donors have in the commitment of African governments – at least some – in bringing about policy reforms and thus accelerate the process of development out of poverty. The Millennium Development Goals process is likely to allow development assistance to continue at its current level. In fact, the

recommendation for 2005 is to drastically increase the aid to Africa in the next ten years on the assumption that such “front-loading” would enable these countries to make a significant leap forward and, in the long run, reduce their dependence on it. If anything, therefore, the role of the donors appears as if it will be significant for at least the next ten years, possibly beyond.

Even though foreign aid has become an integral part of the African development scene, its role and character has changed over the years. The first part of this section will be devoted to a brief overview of how it has shifted. The second part considers the question of what difference foreign aid makes to individual African countries.

IV.1. Changes in Foreign Aid

The role that foreign aid has played in Africa reflects the changes that have taken place in theorizing about development. Thus, in the 1960s, when it began in earnest, the emphasis was on project aid that would serve as catalyst for interventions aimed at complementing domestic African efforts. Although the idea was that capital and expertise would make a difference, the perspective on aid was that it would not be needed except for an interim – albeit unspecified – period of time.

During the 1970s, donors realized that foreign aid was there to stay. Therefore, it had to be planned and managed at a higher level. Projects were too scattered and lacked the necessary forward-backward linkages necessary to make the wheels of the whole economy move. By planning a concerted effort at sectoral level, donors assumed that in collaboration with African governments, they could reduce poverty. Much greater emphasis, therefore, was laid on administration of rather complex programs, e.g., integrated rural development initiatives.

During these two decades of project and program assistance, donor countries dispatched their own experts to work side by side with Africans in various advisory – occasionally executive – capacities. They were all busy on what was perceived as the frontline of development, obtaining valuable field and country experience that they could eventually use in planning development assistance projects and programs in the headquarters office of their agency. They had a personal perception of what it meant to work in these countries and the difficulties the realities in the African countries often posed to success. Although there were the odd exceptions, the interesting thing about this generation of aid workers is that despite hardship and difficulties (or was it because of them?) they retained a great measure of moral and political enthusiasm about their role. It is this generation, now gradually disappearing from the scene that has been largely responsible for administering development assistance in the past two decades.

In their capacity as planners and administrators, they have overseen a shift away from donor involvement in what may be called the “downstream” of the policy process, i.e. program and project implementation, toward a much greater concern with policy and governance issues. This shift has been especially marked in the lack of support in recent years for agricultural production or research on crop and technology issues relating to

advancing African agriculture. These “upstream” issues do not require field experience. They are essentially issues that require analytical skills. The result is that the second generation of aid workers is more generalist in orientation. The economics profession has taken the lead, but has been supplemented by others, e.g., lawyers and political scientists, with skills in analyzing and evaluating policy interventions aimed at liberalizing the economy and enhancing the institutional capacity of government. These people may have had the occasional field experience but it is not a requisite for their job. They are at least one step removed from African realities and typically work with models or policy designs that are meant to apply to any country. They “get their kick” not from solving a practical problem in a “hands-on” fashion in an African country, but rather from “hard” statistical evidence that their model or policy produces for measurable results at the macro level. They do not count beans. They count percentage rates.

This means that the relationship to the African governments has changed. The latter used to be referred to as “recipients”, but they are now called “partners”. Development assistance focusing on the policy and governance issues does not lend itself to a dictating mode although it has taken donors time to learn that. The rather rigid conditionalities that characterized foreign aid in the 1990s have gradually been softened and replaced by the notion of dialogue. The latter is a more suitable notion in a partnership than conditioning terms set by only one party.

An accompanying change is from project and program aid to what is called funding of sector-wide approaches (SWAPs) or outright budget support. This means that the bulk of the assistance goes to the partner government in the form of general support. It is paid to the Ministry of Finance’s general account for use in accordance with priorities agreed upon in annual consultations between representatives of the partner governments. This marks in some respects a return to the practice in the 1970s, especially among the Nordic donors, of giving aid without questions asked. It would be too simplistic, however, to suggest that the situation in 2005 is exactly the same. The dialogue does raise issues about implementation and use of funds and there are much stricter rules of financial accountability built into SWAPs or budget support today. Nonetheless, the jury is still out with regard to how helpful this new approach is. Donors like it because it simplifies their administrative burden. African governments like it too, because it allows them to exercise greater control of how external funds are being used. It does assume, however, that these governments are committed to the same principles of good governance as their Western donors and that they really have the financial and operational capacity to keep track of what happens with the funds. Attempts at expenditure tracking by consultants hired by the donors suggest that there are still serious shortcomings in most countries. This may not be because of outright corruption, but inadequate accounting is enough to cause suspicion in donor circles that their partner is not acting honestly.

These changes in the definition of aid and the role that donors should play are still evolving but they are turning bilateral aid agencies that used to be the operational arm of their respective government in developing countries into think tanks of their particular foreign affairs ministry. Because these agencies do so much less on the ground in African countries, specialized staff in operational and advisory capacities is no longer needed

there to the same extent. The majority are policy analysts with a generalist background with a responsibility to provide advice to the diplomats in the headquarters or in the various country missions. The result is that the bilateral aid agencies have become more focused on being up-to-date on reading relevant literature and attend interesting workshop or seminars. In short, they have become more interested in becoming true “learning organizations”.

IV.2. Impact of Foreign Aid

Foreign aid has its critics on both the right and the left of the ideological spectrum. Their assessment of the impact of aid is generally negative. In relation to results, it costs too much! Or, in relation to growth or poverty alleviation objectives, it achieves too little. There is some truth to these criticisms, but they ignore the achievements that have been made in such sectors as health, education and physical infrastructure. To be sure, since foreign aid is being used in a collaborative context with personnel from an African country, it is always hard to attribute specific contributions from the donor, but it is precisely where the collaborative relations between local and expatriate personnel have been good that most successes have been recorded (van de Walle and Johnson 1996).

The problems encountered from foreign aid in Africa stem from a range of different sources: (a) unrealistic expectations, (b) a strong disbursement imperative, (c) low levels of sustainability, (d) spiralling recurrent costs, (e) constant aid dependency, (f) declining public accountability and, (g) problematic coordination.

IV.2.a. Unrealistic expectations

The problem with much foreign aid, whether in the form of project or budget support, is that it sets highly unrealistic timelines for the achievement of particular developmental objectives. The MDGs are only one recent example of this inclination. This means that from the outset, foreign-funded activities are doomed to be assessed negatively. With more realistic timelines, such problems would not have arisen to the same extent. People would have viewed aid with more pragmatic eyes. In the current context, foreign-funded activities are the constant subject of the critical lenses of consultants whose evaluation reports often become the final statement of the fate of a particular activity. The timeframe is simply not in line with what is needed to make a success of something. Far too many foreign-funded activities, therefore, are written off prematurely by critical evaluators.

IV.2.b. Strong disbursement imperative

There is often more money available for funding development activities in Africa than there is demand or capacity to use it. Donor agencies operate within annual budget cycles and there is bureaucratic pressure to demonstrate that money that has been allocated is committed and disbursed within the annual cycle. This means that even where money might be possible to move forward to next year’s budget, it is viewed as a weakness if it cannot be dispatched on time. This is why the call for raising foreign aid in all donor countries to the level of 0.7 per cent of GDP is controversial. If existing funds cannot be effectively used because of lack of demand or capacity, what is the point of raising the

spending level, critics would argue. There is certainly some truth in this criticism, because far too often donor “solutions” are in search of African “problems” rather than vice versa. Money is often being committed and disbursed even if only a tiny bit of the answers to possible questions about feasibility and costs/benefits have been obtained.

IV.2.c. Low levels of sustainability

Foreign-funded activities are typically pursued on premises that have more to do with the operational and organizational imperatives of the donor agency itself than with those existing on the ground in the African country. Again, whether it is project or budget support, the premises on which assistance is being extended are those with whom the foreign staff members are comfortable with. This leads to the implantation of values and principles that can be maintained as long as these foreigners are there or at least keep an eye on what is happening. A review of 366 World Bank projects in Africa with institution-building objectives between 1970 and 1989 found that “substantial results” were achieved in less than one quarter of the cases (UNDP 1993). Other donor-sponsored evaluations have issued broadly similar assessments (van de Walle and Johnson 1996:44). The result is that once a donor-funded activity has come to its official end, it rarely survives on its own. There is not enough commitment or capacity among local staff members to continue. The move away from project and program support is obviously at least in part a response to this rather dismal statistics.

IV.2.d. Spiralling recurrent costs

Donors have had an understandable preference for funding something new rather than going in to fund an ongoing activity or institution. A very strong reason for this is that donors have maintained the assumption that their aid is an investment or “development” cost which is going to be run with matching contributions from local sources. This distinction between “development” and “recurrent” expenditures was strictly maintained during the 1960s and 1970s, but since the contraction of state budget outlays, it has become increasingly difficult for many poor African countries to come up with these matching funds. The result is that in countries like Mozambique and Zambia, one third of all maintenance costs, including wages, come from external donor sources. This incompatibility is another reason why more funding for development is not without its own costs. There is not enough local revenue to meet additional recurrent expenditures. On economic policy grounds, governments in these countries are being told not to increase this type of expenditure. Thus, they can only be used by incurring a heavier dependence on outside funding of both development and recurrent sides of the national budget.

IV.2.e. Constant aid dependency

Reducing aid dependency in Africa remains an objective in the international development community but the way it operates under the auspices of the Millennium Development Goals, it is clear that it pushes on to Africa a funding package that will actually make this phenomenon more rather than less constant. These countries are being encouraged to receive more money in the hope that they will be able to swing their way out of poverty. Given past experience – and taken into consideration improvements in public sector management in recent years – one must still wonder whether such huge increases in

funding as proposed in the report to the U.N. Secretary-General really are desirable. The Government of Tanzania, for example, has demonstrated that by duly collecting road revenue and place in a national road fund, it has been able to fund its own physical infrastructural improvements from own sources. What is more, it has been able to competitively hire contractors at a price that is way below the costs incurred when such projects are subject to international tendering using foreign funds. The best part of the story is that the roads have also been built and completed without evidence of bribery and at a level of standard that surpasses previous road projects in the country.

IV.2.f. Declining public accountability

Because funds from external sources tend to be relatively easy to come by there is a tendency for government officials to ignore the importance of local revenue collection. Taxing citizens is generally considered to be part of building a sense of civic consciousness: in return for paying tax, the citizens obtain their civil and political rights! It provides citizens with a justification for knowing how government handles their money. It encourages transparency and public accountability – two cornerstone principles of good governance. More foreign aid, therefore, has its political costs. It may in the long run not be compatible with building sustainable public institutions (Moore 1997; Kjaer 2004). It certainly gives government officials an excuse for paying more attention to negotiations with external actors than working on how the principles of good governance can be most effectively implemented – the promise notwithstanding that they may have given donors about adhering to the global good governance agenda.

IV.2.g. Problematic coordination

Partly because donor funding comes in the form of revenue collected from local tax payers in the home country, there is an understandable tendency for these agencies to operate with their own domestic constituency in mind. This is particularly true about the United States Agency for International Development (USAID), which has always been very much restricted in its operations by rules imposed on it by the politically elected Congress. It is reflected in the way that other agencies operate too, albeit it to a less explicit degree. This means that coordination among donor agencies is difficult. To the extent that it takes place, it does so in the context of specific institutions like the Development Assistance Committee of the OECD. This coordination, however, is problematic from an African perspective, because it overlooks what aid coordination means from the point of view of a recipient government. Donor coordination among each other tends to reduce the space for negotiation that recipients have. Some progress has been made toward localizing coordination to recipient country level by providing budget support and having donor representatives participating in joint annual consultations of government priorities. This is a step in the right direction but it still leaves coordination in the hands of government officials with little, if any, input from other societal actors, be that private sector or civil society.

Chapter V: What Can and Should Be Done?

This concluding section might benefit from a brief summary of ten points that need to underpin efforts at developing Africa in the future. These can be captured in the need for:

- a longer term perspective on the issues than what is typically offered (including the MDG);
- avoiding the trap that more extensive external funding is the best means to solve problems;
- more operational flexibility than current “blueprints” provide;
- greater respect for country variation in endowment and culture;
- making partnership between donors and recipients more operational;
- accepting that the state in most countries is still in a formative, not a consolidating mode;
- relaxing the premises on which most institutional models and policies are based;
- encouraging local learning rather than assuming best practices already exist “on the shelf”;
- accepting that development objectives are conflicting as often as they are complementary; and
- acknowledging that politics, when practised as clientelism, is problematic for development.

There is a need, therefore, to go beyond the current conventional wisdom without doing away with the best of what has been accomplished in the last twenty years. This includes:

- acknowledging the market as a necessary foundation for accelerated development;
- continuing to reform public institutions to become more efficient and effective;
- searching for solutions to tricky national/sub-national relationships;
- finding ways of strengthening domestic revenue collection; and
- providing greater scope for professional input into policy-making.

This means that this stock-taking – twenty-five years after the first Structural Adjustment programs were initiated in earnest in Africa by the international finance institutions – builds on past achievements but also calls for a return to the drawing-board on the premise that these accomplishments have also been accompanied by failures and less than satisfactory performance. Despite an impressive turnaround in many African countries during the past twenty-five years, a shift that has few equivalents in a comparative international perspective, there are outstanding issues that need to be addressed. It is always tempting- when going back to the drawing-board – to produce just another “blueprint”. For this reason, it is important to emphasize here that what is being recommend below is not a complete package that suits every country in Africa. It does, however, contain components that should be considered – in part or in total – as relevant for making the best of the ongoing economic and political reform efforts at this point in time. It is offered here, therefore, as an agenda, nothing more.

To place the agenda in its proper perspective, it is worth iterating what African countries, through their governments, and the international development community, have committed themselves to:

- achieve a significant measurable reduction in poverty and hunger;
- accelerate human development through education and better public health measures;

- strengthening respect for human rights and principles of good governance; and
- enhancing the global partnership for development.

These may be interpreted as a summary of the Millennium Development Goals, but they are more permanent than the MDG process itself. They are universal goals that stand alone. They are obviously wide in scope. It is impossible to address each and every one in detail. It leaves out the important issues of debt relief and global trade issues. This paper focuses primarily on the implications of these goals for how donors and African governments can institutionally deal with the social and economic development issues on the ground in individual African countries.

V.1. The Biggest Challenge

The biggest governance challenge facing most African countries today is the prevalence of informal practices, such as clientelism (or neo-patrimonialism, as it is sometimes called), which have the effect of rendering formal institutional arrangements less effective. These informal measures are rational from an individual perspective – both patron and client – but they undermine objectives at the macro level. They also contradict reform efforts and often serve as the basis for resisting them. The question is whether these informal practices can be transcended and turned into something positive; whether there are other ways than external conditionalities or mere persuasive appeals to turn the relationship between formal and informal institutions in African countries into a win-win equation.

The implementation of the New Public Management ideas has already begun a process of encouraging a stricter division between the political and managerial spheres on the assumption that development activities in African countries suffer from too little professional input at the level of putting policy into practice. This had led to the creation of contractually independent executive agencies, such as revenue and road authorities that carry out their functions outside the regular government administration. Given the historical legacy, it seems these initiatives have been easier to introduce in English-speaking than in French-speaking countries, but the need for addressing this challenge exists regardless of what the colonial authorities left behind.

V.2. A Policy Government

Policy analysts in donor agencies and multilateral institutions operate on the assumption that policy is all that matters in government. Many governments around the world, however, are not what one would call “policy” but rather “patronage” governments. This is certainly true in many African countries, where rewarding loyal followers becomes so prevalent that it overshadows the effort to achieve public policy goals. To the extent that patronage governments operate according to patronage, they look backwards rather than forward toward achieving a set of corporate goals. Needless to say, this undermines the role of government as an institutional mechanism that can make a developmental difference. This is a problem that is increasingly being recognized but little progress has been made toward tackling it, because the institutional solutions proposed fail to gather

political traction in the African context. Thus, experts believe that they know *what* needs to be done, but are still searching for *how* it can be done.

Every country in the world that is now developed – or succeeding in getting out of poverty – has been forced to reduce or eliminate informal practices such as nepotism, “spoils”, and similar discretionary uses of public authority. What remains to be done in African countries, therefore, is by no means unique. What is possibly exceptional is the extent to which these problems appear intractable there. They may therefore, call for bolder thinking and certainly a broader comparative perspective on how the issues may be tackled.

A policy government is committed to providing and implementing public goals that have been duly approved by institutions with legitimate authority to do so. There is a clear separation between “official” and “personal” and the distinction between “public” and “private” matters. This means that employees have a self-binding commitment to an organizational mission, its objectives, and the specific tasks associated with particular roles that they play. They are driven by work-related goals, not those that may arise in the course of being in the office that stem from personal problems or those of one’s relatives or friends. In short, there is a work discipline that precludes distractions. In the best cases, there is on top of that a professional pride in work and what one achieves.

This idea of government is still in the making in African countries. It needs to be further strengthened if these countries are going to become more efficient and effective in increasingly achieving development goals on their own. It is for this reason that the creation of independent executive agencies should be kept alive and continued. Because the temptation to engage in patronage practices is especially high in relation to economic and social development, there is a strong argument for targeting these sectors for such reforms. Many African governments – and international development agencies – tend to treat them as “core functions” and seem to imply that for such a reason they cannot be delegated to independent agencies. If, however, tax collection, which is definitely such a core function, has already been given to independent revenue authorities the rationale for reluctance to do so in the social and economic development sectors collapses.

The notion of independent executive agencies is still relatively foreign to many Africans, especially those in government positions, who have got used to working within the system that they inherited from their respective colonial powers. This “path dependency”, however, has been somewhat lowered already as a result of the economic and political reforms that were initiated in recent years. It should also be pointed out that some of the most effective governments in the world – those of the Nordic countries – are constituted around the dominance of independent executive agencies. NPM usually gets accredited to the emergence of Margaret Thatcher in Britain and Ronald Reagan – evidence of how much the Anglo-Saxon countries tend to dominate development thinking – but the truth is that the philosophy behind it has been practised in the Nordic countries for two hundred years. In fact, the system arose in response to exactly the same problem that faces Africa today – how can government be made more professional and thus efficient.

The basic premises of that system still operate in the Nordic countries. Many aspects of it have been further refined. The most important aspects of this system are that:

- A cabinet minister cannot interfere with the day-to-day operations of an executive agency without standing the risk of being called before a parliamentary constitutional committee with oversight responsibility in this field.
- Each ministry focuses exclusively on making policies and monitoring their implementation leaving the key personnel to focus on charting the future rather than rewarding past services.
- Each individual executive agency has sufficient autonomy within the parameters of specific policies set by government that it can take its own initiatives, making these bodies both innovative and flexible in their operations.
- Should any agency overstep its mandate or a staff member make a decision that can be questioned on legal grounds or because it shows poor judgement, a citizen or group of citizens can appeal through an Ombudsman institution.

The interesting thing about many African countries, especially English-speaking ones, is that they have already taken steps in this direction and have many of the features already in place. The problem is that because of patronage politics, these institutional features have not been allowed to become effective. For example, many countries have the equivalent of the Ombudsman but their reports are rarely, if ever, acted upon. Time has come to empower these bodies in the interest of better public sector management.

V.3. Shared Control of Public Funds

Patronage politics has the tendency to encourage discretionary control of resources that can be used to reward followers. Individuals in key positions of authority would wish to have personal control over funds at the disposal of their organization. This inclination is at the root of the prevalence of informal institutions in Africa and, in many instances, the prevalence of corruption. This problem is not being solved by merely trying to “fix” the formal institution through the model of, say, New Institutional Economics. This is a political governance issue that must be tackled as such.

The objective must be that of insulating public funds from control by powerful individuals who overstep their authority. In the social and economic development fields this may amount to the creation of development funds that are legally public institutions but so constituted and governed that they are also accountable outside the government system. Some years ago, an expert consultation brought together under the auspices of AAPAM and made up of representatives for African governments, non-governmental organizations, and the donor community, including the World Bank, provided a recommendation for what the gathering called “autonomous development funds” (Dag Hammarskjöld Foundation 1995). Its time may have come because this document provides an outline of how the discrepancy between formal and informal institutions in African countries can be bridged in a non-antagonistic manner.

The principal objectives of such funds would be to:

- provide funding on a competitive basis to organizations in and outside of government;
- serve as catalytic mechanisms for mobilizing and allocating funds within sectors identified as priority areas in government policy;
- ensure resource allocation based on professional criteria;
- encourage a demand-driven process of development;
- stimulate local capacity-building; and
- promote donor coordination within African countries based on local institutional priorities.

The assumption with these funds would be that they are institutions with a public mandate, established to cater for demands for development within a given sector or in relation to specific theme, e.g., “women and development”. Each fund would be open to proposals submitted from executive agencies (or development ministries, if such agencies have not been established), local government authorities, non-governmental and community-based organizations, and, where applicable, private sector organizations. An important feature is the competition that such a fund can create among different types of organizations. The latter is vital for institutional growth and has the potential of formalizing organizations in an organic manner, i.e. without causing the kind of conflict that has prevailed so far between informal practice, on the one hand, and formalization efforts, on the other.

Many submissions to these funds may in the beginning be insufficiently complete in a professional sense to be approved. It is important that staff employed by these funds take the trouble to return such proposals to their original authors with clear instructions how they can be improved. Since there will be no shortcut to funding, such feedback will serve an important capacity-building purpose and engage local professionals in an important role that is usually absent. It takes time to become efficacious in development in Africa, but this is a way of achieving this in a constructive fashion involving local actors.

Donors have already abandoned project funding and this is in line with their preference for disbursing their funds in large grants. For instance, without having to abandon the preference for budget support, it would be possible for donor agencies to negotiate with their African counterparts to set aside a certain amount for deposit into such autonomous development funds. With the establishment of such funds, there would also be a possibility for donors to place money in a common pool that is subject to local national accounting and audit practices.

Development funds are not new to the international community. In African countries, donors once invested their money in rural development funds controlled by the Office of the President or the Ministry of Planning and Development. Following the introduction of Structural Adjustment programs in the 1980s, the World Bank has supported a number of Social Action Funds aimed at financing social development activities. The problem with these earlier efforts is that little or no attention has been paid to have these funds are

controlled and governed. They have sometimes become “slush” funds for powerful political figures. In others, when supported by a single donor, the control by the donor has been too rigid and forced upon recipients accounting regulations that are time-consuming to comply with. In short, more time has been spent on reporting requirements than on effective spending of the money. Other shortcomings abound in the literature. For these reasons, the “fund” idea has a negative connotation in the minds of many analysts and practitioners.

There is no reason, however, to “throw the baby out with the bathwater”. The fund is a good idea provided it is publicly accountable and governed in ways that reduce, if not wholly eliminate, the shortcomings associated with cases in the past. Thus, some of the key principles that would have to be considered before establishing an autonomous development fund would be:

- shared governance between government, civil society and resource providers;
- board members are serving in their individual capacity;
- funds have a national, but sector-specific mandate; and
- funds as public institutions are accountable to the national legislature.

The composition of the board of trustees or directors is crucial to the success of these funds. The idea of a shared tripartite governance arrangement is meant to reduce the risks of mismanagement of the money. In a game situation where there are three as opposed to just two actors – which is the standard model in donor-recipient relations – the possibility of poor use of resources diminishes. There is always the possibility of one of the three being ready to “blow the whistle”. Furthermore, with three, as compared to just two actors involved, the “power game” is less likely to end up in zero-sum outcomes. In short, the sharing of fund governance on an equal basis between representatives of government, civil society, and the external resource providers creates a positive atmosphere.

To ensure that such an atmosphere is not threatened by narrow personal or organizational interests, it is important that persons appointed to the board do not be there on an ex-officio basis. A senior civil servant should not be there merely because of his position; nor should an ambassador representing a donor country or a director of an NGO. Government, civil society and resource providers should be three separate constituencies which get together, with its own rules, to nominate and elect representatives to the board of such a fund. These individuals should be trusted persons with recognition and respect within the constituency and, preferably also among the public. One could imagine that each of these three constituencies would elect three members each to the board of such a fund, making it a manageable size. The chair could rotate among the constituencies on a regular basis.

It should be added here that the resource providers do not necessarily have to be external donors only. Once the demand for resources from these funds has become institutionalized, governments may wish to contribute their own allocations in order to enlarge the total available for allocation among applicant organizations. This would also enhance the image of these funds as public institutions.

There is no guarantee that corruption and other possible malpractices would completely disappear with the creation of these autonomous funds, but they do stand a much greater chance of reducing them than those institutional arrangements that prevail or have been tried in the past. By virtue of being public bodies legally incorporated in an African country they are more sustainable than other institutional arrangements that are more directly dependent on external funding. At the same time, donors who have placed money in any one of these funds do of course have the right to withdraw their support if malpractices occur that cannot be immediately corrected. This gives them a right to sanction that in the long run may be a corrective mechanism that turns the fund in the right direction.

V.4. A Success Story

The idea of an autonomous development fund is not just academic. It has been put into practice on an experimental basis in several countries. One example that is particularly instructive is the Cultural Development Trust Fund in Tanzania (Mfuko wa Utamaduni Tanzania). It started five years ago as an autonomous fund for cultural development in the country. It has been able to attract support from three donors and the government. Its board is made up of nine persons, one representing the donors, one representing the government, and seven others serving as representatives of different constituencies within the cultural sector. Thus, performing artists have one, librarians another, writers yet another, and so on. This means that the cultural sector itself is more extensively represented, but it was an arrangement that government and donor representatives agreed to in an initial meeting. It is worth mentioning here that each constituency nominates both a male and female name. On an alternating basis decided by the lot, each constituency is thus asked to choose its male or a female name to ensure that there is gender equity in board composition.

The Cultural Development Trust Fund has helped mobilize funds for the sector. It has responsibly allocated grants not only to activities and artists based in the main city of Dar es Salaam, but also to the twenty other regions of the country. Thus, it has had a catalytic effect while also serving as a model for how money *can be used in ways that enhance the principles of good governance.*

V.5. Concluding Reflection

There is no reason to downplay the progress that African countries have made in the past two decades under often very difficult circumstances. The distance that they have covered is considerable in many instances. Development, however, is a marathon race. African countries have just begun. A longer distance remains to be covered, some of it even more challenging than what has already been completed. Building on recent reforms is a good start for those that are needed in the next phase. It would be wrong that these steps can be identified along the lines of a single model. They have to be taken with the practical experience of individual African countries as the most suitable starting-point. Furthermore, they have to take into account that what is needed at this point is not so much economic as political reforms. These are inevitably more contested. That is why the

prescriptive recommendations above are presented as an open-ended agenda deserving deliberation and dialogue on the ground in individual African countries rather than an expeditious implementation with the risk of causing a backlash.

References

- Adam, Christopher S. and David L. Bevan (2001) "Fiscal Policy Design in Low-Income Countries", *WIDER Discussion Paper # 2001/67*. Helsinki: UNU/WIDER.
- Adamolekun, Ladipo (1999) *Public Administration in Africa*. Boulder CO: Westview Press.
- Adams, A. V. and T. Hartnett (1996) "Cost Sharing in the Social Sectors of Sub-Saharan Africa: Impact on the Poor", *World Bank Discussion Paper # 338*. Washington DC: World Bank.
- Apter, David (1965) *The Politics of Modernization*. Princeton NJ: Princeton University Press.
- Ayee, J.R.A. (1997) "Local Government Reform and Bureaucratic Accountability in Ghana", *Regional Development Dialogue*, vol 18, no 2, pp 86-104.
- Badie, Bertrand and Pierre Birnbaum (1983) *The Sociology of the State*. Chicago: Chicago University Press.
- Balogun, M.J. and G. Mutahaba (eds.) (1991) *Economic Restructuring and African Public Administration: Issues, Actions, and Future Choices*. West Hartford CT: Kumarian Press.
- Bates, Robert H. (1995) "Social Dilemmas and Rational Individuals: An Assessment of the New Institutionalism", in *The New Institutional Economics and Third World Development*, edited by John Harriss, Janet Hunter and Colin M. Lewis. London and New York: Routledge.
- Bratton, Michael and Nicolas van de Walle (1997) *Democratic Experiments in Africa*. New York: Cambridge University Press.
- Buchanan, J.M. (1975) *The Limits of Liberty: Between Anarchy and Leviathan*. Chicago: Chicago University Press.
- Bulmer, Elisabeth R. (2000) "Rationalizing Public Sector Employment in the MENA Region", *Middle East and North Africa Region Working Paper Series # 19*. Washington DC: World Bank, Office of the Chief Economist.
- Caiden, G.E. (1991) *Administrative Reform Comes of Age*. New York: Walter de Gruyter.
- Dag Hammarskjöld Foundation (1995) *Report of the Expert Consultation on the Role of Autonomous Funds as Intermediaries in Channelling Money for Social and Economic Development in Africa, Kampala, Uganda, 4-6 April*. Uppsala: Dag Hammarskjöld Centre.

- Danielson, Anders (2001) "Economic and Institutional Reforms in French-Speaking West Africa: Impact on Efficiency and Growth", *WIDER Discussion Paper # 2001/28*. Helsinki: UNU/WIDER.
- Economic Commission for Africa (ECA) (2003) *Public Sector Management Reforms in Africa*. Addis Ababa: ECA.
- Ekeh, Peter (1975) "Colonialism and the Two Publics in Africa: A Theoretical Statement", *Comparative Studies in Society and History*, vol 17, no 1, pp 91-112.
- Ferlie, E., A. Pettigrew, L. Ashburner, and L. Fitzgerald (1996) *The New Public Management in Action*. Oxford: Oxford University Press.
- Fukuyama, Francis (1995) *Trust: The Social Virtues and the Creation of Prosperity*. New York: Free Press.
- Galvan, Dennis C. (2002) *The State Must Be Our Master of Fire: How Peasants Craft Culturally Sustainable Development in Senegal*. Berkeley and Los Angeles: University of California Press.
- Geertz, Clifford (ed.) (1963) *Old Societies and New States*. New York: Free Press of Glencoe.
- Hood, Christopher (1991) "A Public Management for All Seasons", *Public Administration*, vol 69, no 1, pp 3-19.
- Hyden, Goran, J. Court and K. Mease (2004) *Making Sense of Governance*. Boulder CO: Lynne Rienner Publishers.
- Kasfir, Nelson (1979) "Explaining Ethnic Political Participation", *World Politics*, vol 31, no 3, pp 365-388.
- Kaufmann, Daniel (2004) "Governance Redux: The Empirical Challenge", in *Global Competitiveness Report 2003-2004*. New York: Oxford University Press.
- Kjaer, Mette A. (2004) *Governance*. Cambridge UK: Polity Press.
- Kopytoff, Igor (ed.) 1987. *The African Frontier: The Reproduction of Traditional African Societies*. Bloomington IN: Indiana University Press.
- Korten, David C. and Rudi Klaus (1985) *People-Centered Development: Contributions Toward Theory and Planning Frameworks*. West Hartford CT: Kumarian Press.
- Langseth, Peter (1996) "The Civil Service Reform Programme" in *Post-Conflict Uganda: Toward an Effective Civil Service*, edited by P. Langseth and A. Mujajau. Kampala: Fountain Publishers.
- Larbi, George A. (1995) "Implications and Impact of Structural Adjustment on the Civil Service: The Case of Ghana", *The Role of Government in Adjusting Economies Paper # 2*, Development Administration Group, University of Birmingham.
- Larbi, George A. (1999) "The New Public Management Approach and Crisis States", *UNRISD Discussion Paper # 112*. Geneva: U.N. Research Institute for Social Development.

- Lemarchand, Rene (1972) "Political Clientelism and Ethnicity in Tropical Africa: Competing Solidarities in Nation-Building", *American Political Science Review*, vol 66, no 1, pp 91-112.
- Lijphart, Arend (1977) *Democracy in Plural Societies: A Comparative Exploration*. New Haven CT: Yale University Press.
- Moore, Mick (1997) "Death Without Taxes: Democracy, State Capacity, and Aid Dependence in the Fourth World" in *Towards a Democratic Developmental State*, edited by G. White and M. Robinson. Oxford: Oxford University Press.
- Niskanen, William A. (1971) *Bureaucracy and Representative Government*. Chicago: Aldine-Atherton.
- Olowu, Dele (2003) African Governance and Civil Service Reforms" in *Beyond Structural Adjustment: The Institutional Context of African Development*, edited by N. van de Walle, N. Ball, and V. Ramachandran. New York: Palgrave.
- Olson, Mancur (1965) *The Logic of Collective Action*. Cambridge MA: Harvard University Press.
- Pollitt, Christopher (1993) *Managerialism and the Public Services: The Anglo-American Experience*, 2nd edition. Oxford: Blackwell.
- Putnam, Robert (1993) *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton NJ: Princeton University Press.
- Rapley, John (1996) *Understanding Development: Theory and Practice in the Third World*. Boulder CO: Lynne Rienner Publishers.
- Rozman, Gilbert (ed.) (1991) *The East Asian Region: Confucian Heritage and Its Modern Adaptation*. Princeton NJ: Princeton University Press.
- Rweyemamu, Anthony H. and Goran Hyden (ed.) (1975) *A Decade of Public Administration in Africa*. Nairobi: East African Literature Bureau.
- Sangmpam, S.N. (1995) "Sociology of 'Primitive Societies', Evolutionism, and Africa", *Sociological Forum*, vol 10, no 4, pp 609-632.
- Schiavo-Campo, Salvatore (1998) "Government Employment and Pay: The Global and Regional Evidence", *Public Administration and Development*, vol 18, no 4, pp 457-478.
- Stasavage, David and Dambisa Moyo (2000) "Are Cash Budgets a Cure for Excess Fiscal Deficits (And At What Cost)?", *World Development*, vol. 28, no. 12, pp. 2105-2122.
- Stotsky, Janet G. and Aseggedech WoldeMariam 1997. "Tax Effort in Sub-Saharan Africa", *IMF Working Paper # 97/107*. Washington DC: International Monetary Fund.
- Sulemane, Jose A. and Steve Kayizzi-Mugerwa (2001) "The Mozambican Civil Service: Incentives, Reforms and Performance", *WIDER Discussion Paper # 2001/85*. Helsinki: UNU/WIDER.

- Therkildsen, Ole (2001) "Efficiency, Accountability, and Implementation: Public Sector Reform in East and Southern Africa", *UNRISD Democracy, Governance and Human Rights Paper # 3*. Geneva: UN Research Institute for Social Development.
- United Nations Development Programme (UNDP) (1993) *Rethinking Technical Cooperation: Reforms for Capacity-Building in Africa*. New York: UNDP.
- United Nations Development Program (UNDP) (2000). "Responding to Citizens' Needs: Local Governance and Social Services for All", *Report of the United Nations Global Forum on Local Governance and Service for All, Stockholm, Sweden, 2-5 May*. New York: UNDP.
- Van de Walle, Nicolas and Timothy A. Johnston (1996) *Improving Aid to Africa*. Washington DC: Overseas Development Council.
- Von Hayek, Friedrich A. (1973) *Law, Legislation, and Liberty*, vol 1. Chicago: Chicago University Press.
- Wamalwa, William N. (1991) "An Address by the President of AAPAM", in *Enhancing Policy Management Capacity in Africa*, edited by G. Mutahaba and M.J. Balogun. West Hartford CT: Kumarian Press.
- Warren, Bill (1980) *Imperialism: Pioneer of Capitalism*. London: Verso.
- Weber, Max (1947) *The Theory of Social and Economic Organization*. New York: Oxford University Press.
- Whyte, William F. (1966) *Organization Man*. New York: Penguin Books.
- Williamson, Oliver (1985) *The Economic Institutions of Capitalism*. New York: Free Press.
- Winter, Mike (ed.) (2004) *Local Government Initiative: Pro-Poor Infrastructure and Service Delivery in Rural Sub-Saharan Africa*. New York: U.N. Capital Development Fund.
- World Bank (1981) *Accelerated Development in Sub-Saharan Africa*. Washington DC: World Bank.
- World Bank (1999) "Civil Service Reform: A Review of World Bank Assistance", *Operations Evaluation Department Report # 19599*. Washington DC: World Bank.
- Young, Crawford (1976) *The Politics of Cultural Pluralism*. Madison WI: University of Wisconsin Press.
- Young, Crawford (1994) *The African Colonial State in Comparative Perspective*. New Haven and London: Yale University Press.