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IMPLEMENTING ECONOMIC POLICY REFORMS:  
PROBLEMS AND OPPORTUNITIES FOR DONORS

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IMPLEMENTING ECONOMIC POLICY REFORMS:  
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by

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## TABLE OF CONTENTS

	Page
Abstract . . . . .	11
I. Changes in Development Assistance . . . . .	1
II. Perspectives on Developing an Implementation Capacity . . . . .	4
1. Limit and Privatize . . . . .	5
2. Improve Individual Skills . . . . .	6
3. Improve the Organizational Capacity for Analysis and Control . . . . .	7
4. Integrate Design and Implementation in a Single Process . . . . .	8
III. Characteristics of Reforms . . . . .	9
1. Complex and Uncertain . . . . .	9
2. Politically Costly . . . . .	10
3. Incompatible Values . . . . .	12
4. Changing Roles and Responsibilities . . . . .	13
5. Alter Power Relations Within Government . . . . .	13
6. Identified with Outsiders . . . . .	14
IV. Perspectives on Implementation and Structural Adjustments . . . . .	15
1. Dismantling Parastatals . . . . .	18
2. Reducing the Size of the Civil Service . . . . .	19
3. Thinking Programmatically . . . . .	19
4. Linking Central Ministries with Action by Field Units . . . . .	20
5. Collaborating with Donors . . . . .	21
6. Designing Technical Assistance . . . . .	21
V. Conclusion . . . . .	22
NOTES . . . . .	25
REFERENCES . . . . .	30

## ABSTRACT

Critical economic problems in Africa have induced international organizations to use their loans and assistance to encourage the governments of sub-Saharan Africa to make significant changes in their economies. These organizations are urging structural adjustments to liberalize the African economies and enable them to develop and cope with their growing indebtedness. A number of countries have agreed to undertake substantial changes but virtually all are facing major problems in implementing the reforms.

Donors' growing attention to implementation is quite salutary because it forces them to take the political and organizational contexts in these countries more seriously. It does have a major limitation however. Implementation focuses on the actions of political officials and administrators. It runs the danger of overlooking significant constraints on what they can accomplish and thus of holding them responsible for more than is reasonable. Case studies of recent structural adjustment programs confirm that economic resources in a country, and actions taken by other countries and international bodies, are important constraints on what officials in these countries can accomplish.

Observers and donors adopt different perspectives on implementation that influence how they approach offers of assistance to improve it. One perspective emphasizes the inefficiencies in the public sector and recommends privatization. A second perspective emphasizes the importance of human resource development and recommends more attention to training and civil service reform. A third perspective recommends organizational changes to improve program design and to control how other units carry out policies. A fourth perspective integrates the design of the reforms with plans for implementing them.

The characteristics of the structural reforms determine which of the perspectives is most useful. Recent experiences in implementing the reforms point to several of these characteristics: 1) they are complex and uncertain; 2) they impose significant political costs; 3) their values are generally incompatible with the prevailing public philosophy; 4) they involve changing roles and responsibilities; 5) they alter power relations within the government; and 6) they are identified with outsiders. For all these reasons structural reforms are difficult and challenging to put in place.

The fact that the reforms involve far reaching and difficult changes means that the fourth perspective on implementation is far more useful than the first three approaches. The reason lies in its emphasis on management and collaboration and on adjusting the reforms to ongoing experiences. While privatizing, human

resource development and organizational capacity to analyze and control are all important, they must be integrated into this fourth perspective on implementation. This is particularly the case as reforms emphasize adjustment with growth and involve changes in sectoral programs to stimulate economic development. The study illustrates how the integrated process approach could be used to dismantle parastatals, reduce the size of the civil service, monitor the work of field units, enable officials to collaborate with donors and design its technical assistance. While this perspective presents difficulties for donor organizations with their technocratic orientation, it is the only strategy that takes into account the local situations, and, most importantly, it is the only strategy which is sustainable.

## I. Changes In Development Assistance

Donor assistance has undergone major shifts in emphasis during the 1980s. The change has been particularly marked in sub-Saharan Africa where countries are experiencing severe economic problems. In spite of declining economic productivity and reduced earnings from exports they have huge debts to service and repay. For example, Nigeria, Africa's most populous nation, earned \$25 billion from oil in 1980, but expects to earn only \$6 billion in 1988. During the same years interest payments on its \$27 billion foreign debt climbed from \$1 billion to nearly \$6 billion. With earnings in foreign exchange equal to what is owed in interest to external creditors, there are no resources to finance economic development. In the region as a whole the situation is even worse. In 1986 African countries transferred three and a half times as much money to the International Monetary Fund (IMF) as they had received from it in 1985. And consider an even more compelling statistic -- "each one of Africa's 410 million people owed foreigners about \$195, or about as much as they earned in six months of toil" (Haykin, 1987, 4; see also IBRD, 1981).

In the face of these grim realities, external creditors and donors are using their loans, grants and technical assistance to encourage governments to undertake far reaching structural reforms of their economies. Assistance has gone through three phases. From 1978 to 1983 the emphasis was on stabilization and the primary actor was the IMF. The major goal of the IMF was to help the countries reduce their indebtedness by curtailing demand for imports and liberalizing their economies so as to make them more productive and stimulate exports. By 1988 24 of the 45 sub-Saharan African countries had entered into agreements with the IMF in return for loans to stabilize their economies and reduce their debts.<sup>2</sup> These agreements have taken on added importance since a growing number of donors insist that governments be in "good standing" with the IMF before they will offer assistance or consider rescheduling debts.

A second phase evolved from roughly 1984 to 1988. Africa's economic problems had grown much worse and it was clear that stabilization was not an adequate policy response. The new emphasis was on adjustment with growth. The World Bank began to use its loans and grants to promote structural adjustments in the economies to make them more productive. Whereas stabilization depends primarily on macroeconomic policy changes such as devaluing currencies and ending price supports, reforms to promote economic development are carried out at both the macroeconomic and sectoral levels.<sup>2</sup> The World Bank has concluded that its strength lies in promoting changes within sectors and in emphasizing packages of assistance that integrate adjustment lending to encourage macroeconomic reforms, sectoral lending, and specific project grants within each country (Please, 1984). The IMF, while primarily still committed to using its loans to

stabilize economies, has also begun to emphasize growth. It is now setting aside resources for a Structural Adjustment Facility (SAF) that will extend its planning horizon to three years and specifically links stabilization with growth (Bell and Sheehy, 1987; Haggard, 1985). Other donors, such as the United States Agency for International Development (USAID), are designing their own assistance packages to reinforce the IMF and World Bank efforts.<sup>3</sup>

A third phase of assistance is just beginning to emerge, and like the second phase it is triggered by the increasing economic problems in Africa and the inadequacy of existing efforts. There is growing appreciation of the dilemma that most African countries face -- that they simply do not have the resources to repay their debts and develop at the same time (Bello and Saunt, 1987). Zambia dramatized the problem when, in May 1987, it abandoned its agreement with the IMF, designed an alternative set of reforms, and limited the debt service it would pay to external creditors to 10 percent of its earnings from exports. The international community has responded by exploring ways to transfer additional resources to these countries. While the IMF is prohibited from rescheduling debts, a number of donors are exploring alternatives, including forgiveness of debts.<sup>4</sup> Donors are also looking for ways to protect the poorest groups from the effects of the reforms. The World Bank, for example, includes some safety net funding in its structural adjustment loans, and has set up a special facility to deal with poverty in Africa.<sup>5</sup>

In the context of these broad developments opinions differ about the seriousness of the situation and the changes to be made. International groups argue that structural problems in these economies are so severe, and status quo interests are so entrenched, that little will change unless we insist on far reaching reforms. While a number of African countries have responded positively, they differ on the extent of changes they are willing to undertake and the pace they are willing to accept. One reason for the difference is that African leaders do not appear to have grasped fully how marginal Africa has become in the international economy, and how difficult it will be to turn their economies around (Callaghy, 1987). At the same time, external organizations are only beginning to appreciate the extent to which proposed reforms create hazardous political fallout and severe economic hardships.<sup>6</sup>

Even where there is agreement that structural reforms are desirable, they are proving difficult to implement. Sometimes reforms are agreed to, but only halfheartedly carried out. Sometimes they are put in place, but necessary supporting actions are not adopted, or the reforms are discontinued (Moore, 1988). "Even where agreed on actions are taken, governments often fail to take the follow-up measures necessary for more than a brief improvement. Thus an IMF study of exchange-rate adjustments in

eleven African nations concludes that the effects of the devaluations were vitiated within one to two years" (J. Nelson, 1986, 78). Given the unevenness of commitment to the reforms and the difficulties in carrying them out, external organizations are paying more attention to implementation issues. The World Bank has set up a Task Force on Human and Institutional Resource Development, and more donor resources are going toward technical assistance to help with implementation. Not coincidentally, this interest coincides with the second phase of structural adjustments. While stabilization policies such as currency devaluation and auctions of foreign exchange are difficult to implement, reforms to stimulate economic development involve changes at the sectoral level, and are even more challenging to carry out (Grindie, Thomas, 1987).

There are two interesting aspects of this growing concern with implementation. First, it means that external organizations are taking the political and organizational contexts in each country more seriously. It is not enough to design policies to develop economies; it is also important to pay attention to how they are received and carried out. While implementation introduces considerable complexity into the reform process, it fosters greater realism and sensitivity to particular situations and to the need to adjust and tailor reform proposals.

The second aspect of implementation is more problematic, however. Implementation shifts attention from the international context to the actions of political officials within these countries, and even implies that the success of the reforms depends on the effectiveness of these officials.<sup>7</sup> In reality the success of the reforms in spurring development may have much more to do with the resource base in the country and with factors beyond the control of local officials (such as commodity prices for Third World exports, for example). While the growing interest in implementation is very positive in many respects, it can also raise excessive expectations about what can be accomplished by local officials. Similarly it can obscure the need that these countries have for additional external resources (Van Arkadie, 1986).

One important constraint is the resource base of the country. In Guinea, for example, structural adjustments are proving quite successful in stimulating economic development. A major reason is that Guinea has ample and diverse economic resources which have enabled the country to enjoy a three percent increase in per capita real income at the same time that they are making extensive adjustments in the economy. Senegal, by contrast, is much poorer in resources, and during the reform period its economic pie has been shrinking and real income has declined by 30 percent. While it is important to explore how the reforms are being implemented in the two countries, it is also important to appreciate these differences in their economic

situation.

Recent actions in Zambia also illustrate the importance of economic constraints. After making significant changes in its economy, the government decided the reforms were unduly harsh and withdrew from its agreement with the IMF in May 1987. Studies of the changes during the mid-1980s document that major mistakes were made in implementing the reforms.<sup>9</sup> At the same time Zambia's balance of payments problems were so severe, and its debt service as a proportion of income from exports increased so rapidly, that even the most far-sighted implementation probably would not have been enough to rescue the program. According to IMF figures, in 1985 the cost of servicing Zambia's debt as a proportion of receipts from exports was 93 percent. In 1986 this percentage increased to 165 percent and in 1987 it was 114 percent.<sup>9</sup> Implementing the reforms was clearly impossible without some form of debt relief.

The examples of Guinea and Zambia are not intended to discount the importance of implementation as a crucial aspect of structural reforms. Rather they are a reminder to place implementation problems in a broader context. The success of the reforms depends on how they are handled internally, as well as on economic conditions and on actions taken by the broader international community.

This study explores the dynamics of implementing structural reforms. Section II describes four perspectives that have influenced the way in which donors have thought about implementing reforms. In order to evaluate how useful they are Section III describes the characteristics of structural adjustments that make them difficult to implement. The point is that implementation and management concerns should not be abstracted from the nature of the activities they are dealing with. It is important what is being implemented. Section IV returns to the four perspectives. It compares how they deal with the characteristics of structural adjustments and explores their implications for technical assistance.

## II. Perspectives on Developing an Implementation Capacity

While public administration and management studies have always been concerned with implementation, the concept was not specifically dealt with until the 1970s. Before that time policy studies emphasized policy design and the political support for those policies. In the 1960s there was an explosion of policy initiatives in both the United States and the Third World. When many of these did not work out as intended, observers began looking at how they were being implemented. Thus by the 1970s there was more interest in looking inside what had often been labeled simply the "black box" of government. Virtually all of

these studies originated out of a concern that policies were often not implemented. This emphasis on overcoming failures rather than emulating successes continues to influence how people think about implementation. Four perspectives on implementation have been particularly useful in thinking about structural adjustments.

### 1. Limit and Privatize

One important cluster of studies grows out of a concern that bureaucracies readily subvert policy goals and are not responsive to recipients of government services. Either those in charge displace policy goals with their own priorities or bureaucratic routines undermine well-intentioned and reasonable policies. All too often internal bureaucratic politics subvert policies and prevent them from being implemented as intended (Heaver, 1982). Such "displacement of goals" is particularly a problem when governments assume responsibility for delivering goods and services. It is difficult to insure that governments will produce them efficiently or will be responsive to the demands and preferences of clients (Nicholson and Connerley, 1988).

This line of reasoning emphasizes limiting the role of the public sector, either by imposing more controls over those in charge of implementing policies or by relying on the private sector wherever possible. Where serious market failures are likely it may be necessary to continue to rely on the government, but in such cases it is important to include some competition in the delivery of services.<sup>10</sup>

The "limit and privatize" perspective has had considerable influence on structural adjustment proposals. A key assumption in most World Bank and USAID studies, for example, is that public sector organizations have undermined economic development in the past and will continue to do so in the future. Because it is difficult to hold them accountable for their performance, public organizations are inefficient and wasteful. This failing is particularly evident with the parastatals that control large sectors of the economy in most African nations, but it is also true of the public sector in general. Therefore, wherever possible, their responsibilities should be turned over to the private sector.

Privatization has a number of advantages. It mobilizes new groups to promote economic development. As long as there is competition, private units are motivated to be efficient and responsive to demands and opportunities. Privatization also removes some of the incentives for corruption within Third World governments. This logic stems from the theory of "rents", the argument that government officials exact these rents -- payments or favors -- from those who want access to government contracts

or allocations. For example, when officials can decide which parties will receive scarce foreign exchange, they are tempted to exact payments from recipients (Bates, 1981). One way to control such corruption is to monitor and punish officials. However, according to the limit and privatize perspective, it is more effective to remove the temptation of corruption by allocating foreign exchange through a market mechanism such as an auction system. This reasoning even resonates with officials who are not necessarily predisposed to the private sector. President Kaunda of Zambia, for example, agreed to institute an auction in his country in 1985 largely because proponents said it would counter the corruption in the Zambian system.

## 2. Improve Individual Skills

A second perspective on implementation emphasizes human resources and the severe lack of trained personnel in African governments. Further, those who are trained are often not used effectively. This view has been particularly influential in dealing with structural adjustments, because economic policy reforms require analytic and managerial skills that are sorely missing in the Third World.

According to one World Bank official, Third World government personnel not only lack specific skills, but even more basically, they need to learn to approach problems analytically. For example, farmers in Guinea are not using fertilizer when it is available and the government's solution is to provide subsidies. The Bank's position is that staff need first to analyze why farmers are reluctant to purchase the fertilizer. Is it a lack of credit? Poor transportation? Is it true for all crops? Only after raising such questions can staff devise a sensible policy. Donors also stress the lack of personnel with skills in economic and statistical analysis. Whereas formerly donors relied on overseas training to impart these skills, and still do to some extent, there is now more emphasis on job-related training and technical assistance in which consultants work directly with staff to help them cope with specific problems.

Human resource development is particularly appropriate when linked to reforms of the civil service. While such reforms usually reduce staff to cut government expenditures, the cuts also reduce confusion and improve morale and efficiency. One can walk into almost any ministry office and see large groups of people who appear to be unoccupied. A few will be seated at a desk. Perhaps one will have a piece of paper at hand. Many will have no place to sit, no paper or supplies and in effect no clear task to perform. Low salaries are often tolerated because there are few alternative sources of employment and because positions offer opportunities for earning money on the side. According to a recent study of Guinea, where civil service salaries are particularly low, "[o]fficial employment was used primarily as a

vehicle for obtaining illicit income through the resale of state property. It is estimated, for example, that monthly revenues from black market sales of government gasoline totaled more than twice the monthly payroll of the entire civil service" (Olson, 1986, 3-4). The result is not only an ineffective civil service and widespread corruption, but a deeply ingrained cynicism about the role of the public sector and a lack of confidence within the civil service.

Typically, proposed civil service reforms supplement skill training by improving the environment within which individuals work and by providing better incentives for performing well. In addition to extensive cuts in personnel, reforms usually stress clarity of job descriptions, higher salaries, and improved supervision and performance review. Unfortunately, few of these actions can be put in place until personnel cuts are carried out, and reductions in force are generally proving very difficult to accomplish.<sup>22</sup>

### 3. Improve the Organizational Capacity for Analysis and Control

This third perspective, like the first, assumes that bureaucracies undermine policies and, like the second, that it is necessary to upgrade skills. It focuses, however, on an improved organizational capacity for performing analysis and exerting control throughout the system.<sup>23</sup> It grows out of the traditional emphasis in management science on enabling bureaucracies to operate more rationally, for example, to improve their analytic procedures for setting goals and selecting among strategies, and to develop their procedures for coordinating and controlling activities.<sup>23</sup> Implementation is problematic because policies are poorly designed and because organizations have a limited capacity for carrying them out. Instead of training individuals to carry out these tasks, however, it institutionalizes the procedures within organizations.

Geoffrey Lamb of the World Bank describes how this perspective differs from the older emphasis in development studies on institution building and administrative reform. It "stands in sharp contrast to that of conventional public administration reform, which has had indifferent success and is generally not sufficiently timely, focussed or powerful to have a significant impact on the performance of economic policy institutions" (Lamb, 1987, vii).<sup>24</sup> Instead governments need an improved capacity to carry out rational analysis and monitor the performance of units in accomplishing their goals. They require a good information base, a coherent policy framework, an ability to lay out policy options and select among them, and an effective system for delivering the policies.

Donors, particularly the World Bank, have adopted this

perspective rather broadly in assisting with implementing structural adjustments. It is reflected in numerous Bank studies and proposals to strengthen the central Ministries of Finance and Planning, to improve their capacity to design a coordinated policy, to monitor how ministries implement policies, and to use budgets to accomplish program goals. The Bank has found that governments seldom have established effective coordinating bodies. Ministries of Plan or Finance usually do not have the powers they need to bring coherence to government activities, or insure that ministries follow established priorities. They find it hard to set investment priorities and monitor indebtedness and expenditures. Cabinets or special Coordinating Committees sometimes try to play a coordinating role but the political leadership seldom grants them the necessary authority. For example, neither the Cabinet in Zambia nor the Coordinating Group in Guinea have developed sufficient powers to manage the reform process effectively.

This analysis and control perspective links technical assistance very closely to specific structural adjustments. Instead of promoting broad reform, consultants work with local officials to design a strategy to deal with specific structural problems in the economy. For example, officials are assigned to the Central Bank to design procedures to handle an auction, or they work directly with Ministry of Agriculture staff to reform the budget process for planning and monitoring the distribution of agricultural inputs.

#### 4. Integrate Design and Implementation in a Single Process

According to a fourth perspective analysis and design should be linked to implementation in a single management process. Implementation problems arise in the first place because designs are frequently not "implementable," or because they overlook the realities that managers have to confront in carrying them out. The hallmark of an integrated approach is that managers, those in charge of implementing strategies, should be closely involved in designing them. Thus proponents frequently use terms such as "interactive", "utilization-based", or "collaborative" to describe this perspective. The point is that policies and implementation plans should be designed around the needs and interests of the users --both managers and recipients (Patton, 1981).<sup>18</sup>

This perspective develops a process for involving participants in diagnosing their problems and designing steps to deal with them. For example, a study of budget reform in Kenya describes a process for involving and collaborating with the various officials who are part of the budget procedure. First it helps them diagnose what information they need from a budget, and then it helps them reform the budget process to meet their needs (Kettering, 1987). A favored technique is to bring together all

those concerned with a particular problem in work teams. The role of these teams is to come to some agreement on the nature of the problem and the best way to approach it. Work teams are effective because they include most of the relevant parties, and because they provide a setting within which people can raise alternative views and anticipate problems.<sup>16</sup>

### III. Characteristics of Reforms

Which of these perspectives -- privatizing, training personnel, analysis and control, or integrated process -- is most useful in implementing structural adjustments and what are the tradeoffs among them? The answers depend on the nature of the policies being implemented. The characteristics of policies are as important in determining whether they are carried out as is the way in which they are managed. Thus, the place to begin in examining the implementation of reforms is with the nature of the reforms themselves and the difficulties they pose. The simple fact is that structural adjustments are difficult to carry out no matter how much capacity a government has and no matter how committed officials are, and these difficulties go a long way in determining which of the perspectives is most appropriate. Several characteristics of structural reforms are discussed below.

#### 1. Complex and Uncertain

Structural adjustments, even those that may appear fairly straightforward, are actually very complex and difficult to grasp intellectually. Even when officials are committed to making far reaching changes in their economies, it is often difficult to know how best to proceed. A review of reforms in Zambia, Ghana and Nigeria observes that this complexity has led to "adjustment fatigue" and has generated widespread pessimism about the possibility of carrying them out (Callaghy, 1987, 12).

Officials often assume they can treat reforms in cafeteria style, selecting only those which they want. However, typically one reform depends on others and they must move on a number of fronts simultaneously. The auctions instituted by a number of African countries to allocate foreign exchange illustrate this complexity and interdependence. Those responsible for auctions have to determine how much foreign exchange needs to be available, insure that the right amount is in the system, select which bidding system to use, establish mechanisms for absorbing any excess liquidity in the economy that would drive prices up, discourage bids from escalating and causing inflation, decide whether and how to limit imports of luxury items, and insure public confidence in the auction. These are difficult issues and there is very limited experience about the best way to proceed.<sup>17</sup>

Complexity is not just a function of changes at the macroeconomic level. Consider some of the problems that arise as governments attempt to dismantle parastatals and encourage the private sector to take them over. Several governments are finding that many firms cannot survive without special protection. Frequently the physical assets of parastatals are not worth much and firms are only interested in purchasing them if they receive the right to sell in a protected market. As a result, the government has to consider whether to grant monopoly rights, such as the ten-year monopoly the Guinean government recently granted to a tobacco firm.<sup>19</sup> A related problem is that because of limited domestic funds, the only interested purchaser may be a foreigner. Then the government has to weigh the need for capital against sensitivities about foreign ownership.<sup>20</sup>

There is also a lot of uncertainty about the effects of structural adjustments. Whereas creditors and donors publicly project confidence in the effectiveness of their proposed reforms, observers are increasingly aware that structural adjustments have many unanticipated results. Currency auctions often have greater political and social costs than can be tolerated, devaluation can reduce imports to the point of strangling economic growth, and increases in exports may not be a viable strategy for all African countries (Callaghy, 1987, 5, 15). Donors, however, fail to acknowledge that much of their advice is problematic. They assume that when developing countries do not adopt their proposals it is due more to their ignorance or shortsightedness than to legitimate concerns about the unintended consequences of the reforms (Killick, 1986).

## 2. Politically Costly

Structural adjustments generate both benefits and costs, but these are distributed among different groups in the society.<sup>20</sup> Typically the greatest costs are exacted against urban groups, particularly the urban poor. Higher prices, reduced subsidies, inflation, and unemployment drastically reduce purchasing power. Civil servants, who are disproportionately from urban areas, are also negatively affected by reductions in public employment. Urban elites are typically hurt by reductions in available foreign exchange; it is harder to travel abroad, to educate family members overseas, and fewer imports are available to them. The poor in general are hurt as governments curtail services or turn to user fees for education and health services.

Consider some examples. In Guinea, although real incomes have risen about 3 percent, devaluation and increases in prices for agricultural produce have led to skyrocketing consumer prices, especially for the basic commodities of rice and oil. Fear of unemployment among civil servants is high. The capital city, Conakry, is overflowing with unemployed youth, many with high school diplomas and no jobs. At the same time the urban poor

can observe that the costs are not being borne equally. "Never before have there been so many luxury cars and such outward flaunting of wealth in the capital... Growing social inequities could pose serious problems for the government and discredit free market economics as a 'panacea' for the country's ills." (Schissel, 1986, 25).

In Nigeria reforms have cut the size of the civil service, devalued the currency by 400 percent, reduced corruption and created incentives for farmers to grow more food. At the same time, between 1984 and 1988 per capita income was cut in half, falling from \$800 to \$375 a year, hurting the urban middle class in particular. Poor harvests and a weak oil market have led to severe food shortages, increases in the price of fuel, labor unrest, the doubling of transportation costs, and the closing of 30 universities.<sup>21</sup>

There are beneficiaries also. In many cases groups in rural areas benefit as producer prices increase, thus somewhat redressing the traditional inequity between rural and urban areas. The problem is that urban groups are much more visible and more apt to be organized than are rural groups. As Robert Bates notes in his analysis of political dynamics in African states, it is politically rational for leaders to favor those in urban areas because urban groups are in a position to offer or withdraw critical political support. Since rural people are less likely to be organized there is much less political reason to compensate or favor rural interests (Bates, 1981).<sup>22</sup> And because structural adjustments hurt urban consumer groups, they are by nature politically destabilizing. Reality is confirming this logic given the increasing evidence of widespread social and political unrest in the wake of reforms.

One important political variable is the degree of organized opposition in a country. A comparison of reforms in Ghana and Zambia concludes that reforms have been more successful in Ghana in part because there is no organized opposition in that country and officials there are much more insulated from political pressures. Zambia, by contrast, has a long tradition of organized opposition and its leadership is more vulnerable to different organized opposition groups (Callaghy, 1987).

In many cases the political costs are so high that it is hardly surprising that officials are reluctant to continue structural adjustments. For example, instead of asking why Zambia rejected the IMF package of reforms in May of 1987, it is more relevant to ask why the political leaders stayed with the reforms for a year and a half. Their decision to withdraw from the IMF program was almost inevitable given the rapid increases in the prices of basic commodities and widespread labor unrest from the fall of 1986 through the first half of 1987. The Times of Zambia had daily reports of strikes by teachers and hospital workers and

rising public anger over cuts in services and increases in fees for services.

### 3. Incompatible Values

Incompatible values is a third characteristic of structural adjustments. They are based on values that differ from the public philosophy in many of the African nations. Many of these governments ascribe to humanist ideals that stress the role of the public sector in promoting equity, fairness and the public welfare. Not surprisingly, the values of individualism and efficiency implicit in most of the structural reforms appear to be incompatible. President Mugabe of Zimbabwe underscored the contrast between the two approaches in the introduction to a book on Christianity and socialism. "When we talk of socialism versus capitalism, we are actually talking of morality versus immorality, of equity versus inequity, of humanity versus inhumanity, and I dare say, of Christianity versus un-Christianity."<sup>22</sup> Interestingly, President Kaunda of Zambia has tried to recast the reforms in the light of humanism. He frequently appeals to the moral responsibility of the Zambians to accept economic reforms for the good of the society, and for a time his government published the names of bidders in the auction and the amounts they bid in order to expose publicly those who were bidding up the exchange rates. While there is obviously a wide gap between the rhetoric of humanism and the reality of corruption and waste in many of these countries, there is nevertheless a widespread sense that the reforms lack a moral claim.

At the very least there is a difference between the emphasis on welfare and the emphasis on productivity and efficiency implicit in economic policy reforms. For example, over the years Zambia has adopted the practice of "narrowing the gap" in its personnel policy, a practice that is evident in many African countries. Whereas civil service reforms that are part of most structural adjustment practices emphasize merit pay systems, and raises for mid-level civil servants to encourage the most competent to remain with the government, Zambia has purposefully tried to reduce the gap between lower level civil servants and those at mid or higher levels.<sup>24</sup>

Differing attitudes towards expertise also affect implementation. Whereas those who promote structural reforms value expertise and specialization, this is not always the case in many African governments. There is constant turnover of personnel, particularly at high levels, and an ambivalence toward the role of technocrats in many of these political systems. Some of the ambivalence undoubtedly reflects the desire of political officials to protect their sources of power. At the same time it makes it more difficult to develop the kind of expertise associated with complex economic policy decisions.

#### 4. Changing Roles and Responsibilities

Structural reforms also require officials to engage in new and different roles and activities. Officials have to rethink how they can assist economic development, whether to cease traditional activities, adopt new roles or develop alternative institutions. Not only are they involved in new activities, but responsibilities are only gradually evolving and no one is quite sure what they are going to look like. Officials therefore have to define the new roles and ensure that personnel are trained for them. An analysis of the Ministry of Agriculture in Guinea, for example, found that "every unit in the Ministry is in the process of working out new procedures. The preparation of the existing personnel in these units is woefully inadequate, most officers working in finance or procurement having been trained as agricultural technicians." (Diallo, Kanté, Morgan, 1988, 3-4).

Government efforts to reduce the role of parastatals, stimulate private sector activity, and encourage small holder agriculture in particular provide an example of these new and emerging roles. These changes mean that governments will no longer be directly engaged in marketing or production, but instead will have to find ways to stimulate private entrepreneurs and to service small holder farmers. Whereas the logic of the reform program is to rely on higher prices to stimulate production, higher prices may suffice for farmers with access to credit and tools, but be insufficient for those without such access. Officials therefore need to develop ways to provide credit, to stimulate research, and to develop appropriate seeds. A planned project by the World Bank to promote research on seed development illustrates some of these new roles. The project document notes that the private sector is unlikely to develop new seeds since there are insufficient opportunities for profit, and therefore the government must take the initiating role. However, it strongly recommends that the government set up the seed research program so that once it is underway the production units can readily be turned over to private firms. These are entirely new roles for public sector officials and there are few guidelines about how to proceed with them (IBRD, 1987).

#### 5. Alter Power Relations Within Government

While it is obvious that policy reforms require extensive changes in a country's economy, it is less often appreciated that they also require far reaching changes in the organization and management of the public sector. Typically reforms require initiatives that run counter to established bureaucratic procedures and interests and involve major changes in the power relations within governments. For example, donors frequently urge that the Finance Ministry be given increased powers to monitor and coordinate reforms, but in doing so they inevitably threaten those in the Planning unit. Planners, traditionally trained to

think in a time frame of five years, are similarly threatened when they are asked to emphasize more immediate objectives and work on an annual planning cycle.

One result of these proposed changes is that bureaucratic politics influence how the reforms are carried out at almost every stage. Internal politics and infighting are particularly critical during the second phase of the reforms, as more emphasis is placed on changes at the sectoral level and within ministries, and on reforming government institutions (Grindle and Thomas, 1987). Internal power relations go a long way to explain why countries such as Guinea, that have carried out far reaching economic reforms, have found it far more difficult to reduce the numbers in the civil service or to reform the parastatals.<sup>26</sup>

In the past donors were able to avoid some of these bureaucratic problems by setting up separate project units to implement development activities and working only indirectly with ministry officials. The logic of policy reforms, however, brings them into close contact with program agencies and established ministries, complicating implementation and increasing the chances that donors will appear obtrusive (L. White, 1987). While donors are still undertaking specific projects, increasingly the projects are closely integrated with ministry programs.<sup>27</sup> In fact many are designed to enable the government to develop new roles and learn to work more collaboratively with the private sector. The World Bank's project in Guinea described earlier illustrates how projects are used to promote reforms by developing new activities within ministries. The project is specifically designed to strengthen the research capacity within the Ministry of Rural Development (MDR) but it does not simply set up a traditional research unit. Rather it establishes centers for producing seed within the MDR, and organizes them so they can generate their own revenue and can eventually be turned over to the private sector.

#### 6. Identified with Outsiders

Finally, the implementation of economic policy reforms is made more difficult because they are viewed as intrusions. In virtually every African country with an IMF agreement, the IMF or World Bank has taken the initiative to propose a package of policies. One study even refers to the "Bank's apparent aspiration to become Sub-Saharan Africa's ... planning ministry and Platonic Guardian..." (Green and Allison, 1986, 72). Joan Nelson adds that external organizations are apt to be most intrusive when working with smaller and weaker countries (1984). There are signs that creditors and donors are increasingly trying to initiate a dialogue with government officials and to tailor reforms to particular settings. Nevertheless, the reforms are commonly seen as externally imposed and are often referred to as "IMF reforms."<sup>27</sup>

Implementation is clearly more difficult when local officials lack a sense of ownership for the proposed changes or when officials and the public sense the changes are being imposed by outsiders. Nigeria's experience is revealing. In 1985 the government wanted to reschedule its foreign debts but was unable to do so without an agreement with the IMF. The government called for a national debate on the issue, but found widespread and strong sentiment against "swallowing the IMF pill." The government shifted course and worked quietly with the World Bank and IMF to put together a reform package which was actually similar to other IMF stabilization packages. Because the role of the IMF was downplayed, however, the government was able to put its plan in place (Callaghy, 1987, 49f).

Perceptions that reforms are imposed by others and are thus in a sense illegitimate depend only partly on the attitudes and approaches taken by outsiders. They also depend on whether or not local officials and the public appreciate that their economies are truly in a critical state. Callaghy calls this the "trough" effect. Until an economy "hits bottom" the public is unlikely to appreciate the need for extensive changes. He observes, for example, that in Ghana, in spite of initial successes in carrying out the reforms, the government is experiencing more problems as the memories of recent economic problems "fade a little while current difficulties remain cruel and vivid" (Callaghy, 1987, 29). The fact that the Guinean economy was almost totally in shambles by the mid-1980s certainly explains some of the momentum for continuing the reforms in that country. By the same token some observers regret the recent and predictably temporary rise in copper prices because it has given Zambians a false sense of security about their economic future.

#### IV. Perspectives on Implementation and Structural Adjustments

Thus far the analysis has described four perspectives on implementation and reviewed several characteristics of structural adjustments which make them difficult to carry them out on a sustained basis. While each of the first three perspectives provides some useful insights into the implementation process, the fourth perspective, with its emphasis on an integrated and collaborative process, is best able to take account of the nature of the reforms.

The first perspective, to "limit and privatize," is useful in acknowledging the negative impact of large, unresponsive bureaucracies. At the same time, it tends to suggest that privatizing is a sufficient condition for promoting development.<sup>20</sup> Originally the strength of the literature associated with this perspective was its careful analysis of the inefficiencies within the public sector. Over time, however, its emphasis has changed and proponents are now more apt to emphasize

the merits of the private sector. As a result the literature often appears unduly naive.

In the meantime "Africa is lost between state and market, wandering uncertainly between the two" (Callaghy, 1987, 62), and the privatizing perspective provides little help in sorting out the roles of the two sectors. It is far more useful to examine and compare a variety of institutional arrangements rather than simply focus on privatizing. In part an emphasis on institutions leads officials to examine the roles of the public and private sectors. For example, where the market is very shallow and there is only one buyer or seller, it may be necessary to continue public regulations.<sup>29</sup> Also, governments still need to supplement price increases with codes to create confidence in the fairness of the economic system.<sup>30</sup>

The institutional focus goes beyond comparing states and markets. It also examines the roles of a variety of institutions, including those in the voluntary sector. As David Korten reminds us, private voluntary organizations can often play an important role in stimulating innovation and in countering the excesses of both states and markets (Korten, 1987). According to Gordon White we need "a more realistic appraisal of the potential benefits of markets and the limitations of state planning in situations of extreme scarcity. [We need to] search for a more balanced and complementary relationship between state action and market processes. [We also need to give] systematic attention to the potentially crucial role of intermediary institutions (such as trade or industrial associations, citizens and community organizations, peasant associations, supply and marketing cooperatives, etc.) [These can] serve as essential linkages between state and population and mechanisms through which social forces can mobilise power against corrupt or ineffectual bureaucracies and self serving politicians" (G. White, 1986, 3).<sup>31</sup>

The second perspective, with its emphasis on human resource development, is an important contribution. However, it does not institutionalize the new procedures or provide organizational supports and incentives to the individuals being trained. Generic training also does not deal with the role conflicts that officials face or help them diagnose their situations and sort out evolving responsibilities.

The third perspective, analysis and control, which emphasizes improving the capacity for doing analysis and holding others accountable to policy goals, has three problems. First, it skews resources and diverts attention from implementing the plans within the sectoral ministries. Data and budgets are used to hold officials accountable rather than assist managers in carrying out plans. Thus it preempts a concern for how the plans will be implemented. The point is nicely illustrated by a review of

agricultural reforms in Guinea. It found that most of the technical assistance was being devoted to helping the ministry carry out macroeconomic analysis. The report went on to warn that donors frequently stress sophisticated technical analysis and set up special analytic units, thereby shortchanging the longer term process of carrying out the reforms. It observed that from the perspective of local officials, high powered technical analysis may be less important than simpler and more operational skills of personnel management and budgeting. "There is a very real danger that the pressure for new project development [by donors] will cause the various analytic units to grow very quickly both at the expense of implementation skills in the operating directorates and, subsequently, morale" (Diallo, Kanté and Morgan, 1988, 10; emphasis in the original).<sup>22</sup>

A second problem, and one raised in this same report, is that special technical analytic units are often set up to satisfy the needs of donors for a counterpart unit rather than to establish an ongoing competency within a ministry. They establish special groups of highly skilled technocrats with whom donors can easily work. The result is that technocrats frequently end up talking only to each other.

A third problem is that the perspective lacks any theory of government. Callaghy refers to the "orthodox irony" that "the IMF, World Bank etc. are, although they will not admit it, attempting to use the state to implement orthodox policies of liberalization and export-oriented development while trying to get the state to dismantle itself" (1987, 63). They assume that the state has undermined development in the past, and urge that its capacity be improved, without providing any analysis of why and how it would respond differently in the future. AID made a similar point in reviewing policy reforms in Guinea. It noted that the World Bank has focused almost entirely on what occurs at the central level of government, and has done little to generate energy throughout the society. AID designed its own program partly to offset the centrist bias of much of the World Bank's aid. It provides resources and technical assistance to the Central Bank to make loans to the private sector (USAID, 1987; Olson, 1986).

Overall, these first three perspectives emphasize important items and certainly have a place in any plans to improve implementation. However, they obscure some of the most critical aspects of implementation because they focus only on a piece of the puzzle. The integrated process perspective on implementation is not as clearly defined as the other three, and it too lacks a comprehensive theory of the state. It does have the potential, however, for dealing with the characteristics of structural adjustments described earlier. Recall that the emphasis in this perspective is on integrating analysis and implementation in a single process and including opportunities for collaboration

among the various parties concerned with the reforms.

This fourth perspective handles the complexity and uncertainty of the reforms by treating them as experiments that need to be adapted to different settings and adjusted on the basis of initial results. This fourth perspective addresses the various characteristics of structural reforms in several ways. It deals with the political costs of the reforms by urging those responsible to confer, educate and negotiate with political officials and not just with other technocrats. It deals with incompatible values by bringing various parties together to consider their differences and by urging political leaders to educate people about the reforms and build supporting coalitions. It deals with the need for officials to explore new roles by helping them diagnose what needs to be done to cope with evident problems. It deals with bureaucratic tensions by including officials in the design process and enabling them to identify their concerns. And finally, it deals with the fact that reforms are seen as the work of outsiders by including local officials from the outset.

Note that collaboration has two purposes. First, it assumes that it is possible to develop a better and more "implementable" set of policies by collaborating with those who will be responsible for them. Second, it assumes that if other parties do get involved they are more apt to support the reforms and even try to marshal some broader support on their behalf.

The best way to examine this perspective is to give some examples of how it would work in practice.

#### 1. Dismantling Parastatals

Public enterprises are a major target of almost all structural adjustment packages. Their performance is generally poor, they give a low rate of return on investments and they are a drain on public sector budgets. It is not surprising then that the IMF and most donors have placed a lot of emphasis on the need for governments to divest themselves of these units, either by selling them to the private sector, liquidating them, or where there is no alternative, drastically reforming them to make them more efficient. Typically donors establish conditions, saying that governments have to privatize a certain number of parastatals, or at least privatize those that are stifling productivity. As John Nellis suggests, however, in his overview of parastatals in Africa, donors would do better to help officials develop a process for deciding what to do with the parastatals, than to promote divestiture or privatization per se. Governments need procedures for analyzing parastatals, for selecting those which are candidates for divestiture, for marketing these and negotiating sales or leases. They also need

help in how to reform those parastatals they choose not to privatize or liquidate (Nellis, 1986). The integrated perspective recommends such a process -- one that integrates the design of a privatization strategy with the realities of putting it into place.

## 2. Reducing the Size of the Civil Service

Most reform packages include specific mandates for cutting civil service personnel. For example, when World Bank officials assisting with reforms in Guinea found that 1,200 staff members were working on a livestock sector project, they mandated that the Ministry reduce the number by two-thirds. Eventually they compromised at 50 percent. Another Bank official, however, observed that civil service reduction should not be treated as an end in itself, but should be made in light of what ministries are actually supposed to be doing. Ministries should first be reorganized and responsibilities negotiated. Only then should officials make decisions about staff needs and service cutbacks. This approach is beginning to be tried, out of necessity if not out of conviction. Instead of testing civil servants across the board as was originally proposed, Guinea is now doing the testing ministry by ministry and linking decisions about numbers of civil servants with the evolving functions of the various ministries.

## 3. Thinking Programmatically

The second phase of structural adjustments emphasizes economic growth, and links macroeconomic policy reforms with sectoral level actions and projects to stimulate growth. This shift places a premium on thinking programmatically. Many studies of Third World governments, however, note that officials usually think in terms of concrete tasks rather than in terms of programs. A study of reforms in Guinea found that "only a few people were able to place a project conceptually under a broader program in the Ministry, to think systematically about the participation of several directions in the same national program." (Diallo, Kanté, Morgan, 1988, 7). Budget submissions also are based on specific project requests, rather than on broad program goals, or even on how the projects contribute to program goals. Typically, a Ministry of Finance will not be given programmatic priorities to compare and therefore will either make across-the-board cuts or simply add a fixed percentage to last year's requests.

While the third perspective, analysis and control, deals with this problem by setting priorities and developing a capacity to control what is done, the integrated approach sets up a process for feeding information to central units to help them set priorities. It encourages more interaction and joint planning and includes those working in field level units. Instead of focusing primarily on the central level of decision making, it encompasses

all those involved in carrying out a program. It stresses the linkages between the Ministry of Finance and the operating Ministries, and between the latter and their units at provincial or field levels.

This need to think programmatically and to take into account the perspective and management needs of those involved throughout the implementation process is particularly important during the second phase of structural reforms. Much of the technical assistance and discussion of implementation is still geared to the first phase, which focuses primarily on stabilization and on the role of the central ministries of finance and plan. As adjustment with growth is emphasized a policy to "get the prices right" is not sufficient. More attention needs to be given to the roles of ministries in promoting development, to the ways they relate to the macro reforms, and to relations with field and project level units. The integrated process perspective provides a rationale and procedures for moving in this direction.

#### 4. Linking Central Ministries with Actions by Field Units

As ministries take a more collaborative and programmatic approach to implementation, officials need procedures to control what project units do while allowing project managers enough flexibility to adapt projects to local circumstances and ongoing experiences. It is always difficult to balance control and flexibility. It is particularly difficult because there are so many instances of misuse of funds in field locales. The problem is that the processes of financial control that ministries typically put in place for requesting and receiving funds are unbelievably complex. They consist of so many controls that local personnel cannot exercise any responsibility over them.

For example, in Guinea, the purchase of a tool for use in a rural area by a field unit of the Ministry of Agriculture (MDR) has to go through nineteen control and verification steps, and it can take up to 6 months for a disbursement to move through the system. Moreover, project monies are disbursed through multiple budgets, making accountability and responsibility exceedingly difficult. An integrated approach to implementation takes into account the management needs of those implementing the structural adjustment reforms throughout the system. A proposal that is consistent with this perspective stresses first a single integrated budget prepared by project managers, and the establishment of a counterpart fund large enough to support the portions of all activities reflected in the investment budget in any given year. This arrangement would go a long way to reduce the uncertainty that project managers currently face. Finally, central units would encourage improvements in the banking system in local areas so that funds could be disbursed and made more readily available to managers (Diallo, Kanté, Morgan, 1988, 12-20).

## 5. Collaborating with Donors

A frequent complaint is that local officials do not play a major role in formulating strategies for bringing about structural adjustments. In fact there are a limited number of cases in which political or administrative officials within African countries have formulated their own priorities and then negotiated them with external organizations. A World Bank official described a session in which Bank representatives were discussing proposed reforms with local officials. At critical points the local officials did not try to negotiate, did not say "we can do A but not B," even though they had serious reservations about the conditions being discussed. The officials had not reviewed the relevant IMF conditions, had not kept records as to which conditions they had met, had not prepared counter arguments, did not attempt to redefine the conditions or negotiate them, and did not even keep their own minutes of the meeting. This is precisely the kind of capacity that needs to be developed among Third World officials. An integrated approach emphasizes the importance of enhancing the capacity of local officials to collaborate with donor representatives and assume more responsibility for what is done.

Second, the approach stresses the need to establish a single unit with the authority to negotiate with donors (Moore, 1988). African governments frequently are unwilling to invest any organization with sufficient authority to do this, both because such decisions are politically sensitive and because other units are unwilling to give up any of their authority. The experience of Guinea is instructive. A special coordinating unit was set up to work with donors but was quickly expanded to include representatives from every ministry. As a result of this larger size, the weekly meetings are spent discussing items of interest to each of the ministries rather than on setting strategic priorities. This is a problem, therefore, that needs to be addressed by the highest political levels within the African nations.

## 6. Designing Technical Assistance

The integrated perspective on implementation emphasizes the process of designing a package of reforms rather than specifying what a package of reforms should look like. This shift in emphasis means first that technical assistants would spend more time than they currently do creating a demand for the kind of expertise donors can offer. It means more informal conversations and more time spent interacting with local officials, exploring the types of problems they anticipate in handling structural adjustments.

Second the technical assistance team would emphasize management and institutional issues and integrate these with

design recommendations. A recent review of AID's planning documents for structural adjustment programs in Africa found they were generally inadequate on this score. The documents gave uneven and limited attention to important institutional and political impediments to implementation. Even in those cases where institutional capacity issues were mentioned they were infrequently analyzed (Vondal, 1987).

Third, it focuses on how technical assistance should be offered. It would support the growing trend to move away from packaged training and assistance and provide more on-the-job training and consultancy. It offers a warning, however. When technical assistance is designed both to accomplish a task and to educate staff, the former goal almost always preempts the latter. The integrated process perspective tries to correct this tendency, by placing less emphasis on what the reforms look like, and more on the process for arriving at and carrying out reforms.

## V Conclusion

Implementing structural adjustments continues to be a problem and there is every evidence that failed efforts and retreats from original plans will continue. Some of the implementing problems stem from the nature of the reforms and not simply from intransigent and uncommitted political leaders. Studies to date have tended to describe structural adjustments as relatively self-implementing and fairly simple, if one was only willing to pursue them. In fact they are not straightforward; they are complex and difficult to understand and their effects are increasingly uncertain. It is hard not to be sympathetic to the pastor from a rural area in Nigeria; as costs have doubled in the wake of recent reforms and the government declares it has no more resources, he observed that "I do not understand what this reform is all about. How can my government say there is no money?"<sup>33</sup>

Few would disagree that some structural changes are needed in these economies. And few would disagree that they are politically difficult to put in place. It is reasonable to conclude that donors need to exert whatever pressure is necessary to put reforms in place. Recent experiences with implementation difficulties, however, underscore that there are severe limits on donor actions. As Helleiner puts it, "Strategies and their articulation can, up to a point, be imposed on desperate countries. But they are unlikely to avoid major technical flaws, to be implemented more than grudgingly and partially, or to yield the intended results of their sponsors" (Helleiner, 1983, 61).

In the meantime, donors are paying more attention to implementation. Typically they begin with a package of reforms based on their understanding of economic forces, and then offer

technical assistance to help local officials implement them. This strategy, which draws from the first three perspectives described earlier, overlooks some critical characteristics of the reforms. Because reforms present so many difficulties, implementation strategies need to draw from the integrated process perspective and take into account the needs and interests of those who will be implementing them. Presently donors are asking how to design technical assistance to implement specific reforms, such as, for example, an auction. According to this perspective they need to ask how to assist officials in designing actions to promote economic development -- actions which are appropriate to their setting and which can be sustained.

A hallmark of the integrated or collaborative perspective is its emphasis on working closely with those who will be implementing the reforms. This effort to integrate planning and implementation is an important way to avoid stereotyped reform packages that look the same no matter what the setting is. It means that policy dialogue and collaboration must bring together policy analysts and those responsible for carrying out the reforms. The latter can provide feedback and thereby improve the chances the reforms will address some of the constraints within a particular setting.

Other perspectives rationalize the reform process by approaching it from a technocratic point of view and downplaying political dynamics and value conflicts. They are more apt to approach capacity building in narrow and technocratic terms. The characteristics of structural reforms, however, require a capacity for grappling with complex and uncertain implementation issues rather than simply arriving at an optimal technical answer. They also require a process for dealing on an ongoing basis with evident problems. The integrated process perspective does not have the same tendency to short circuit the political process, and leaves room for officials and managers to adjust the reforms in light of the political pressures they confront.

Collaboration is also a good strategy for gaining the active support of officials. African leaders are frequently criticized for not explaining the reforms more clearly to the public. They may be more willing to do so if they have shared in designing the policies. Further, the reforms involve extensive changes in the role of the government, changes that often challenge existing interests in the bureaucracy. Again, collaboration will give them a greater stake in the kinds of changes that are needed and gain the cooperation of ministry officials.

Obviously adopting an integrated process approach to implementation and technical assistance is messy and cumbersome. It is particularly difficult for donors with their need to move funds and to operate with some predictability (IDMC, DPMC, 1987). Administratively collaboration is difficult for multilateral

agencies with their technocratic orientation, and politically it is difficult for bilateral donors to be as open-ended as this strategy requires. Nonetheless it is the only strategy that will lead to changes that take into account the local situations and that officials will have enough investment to promote and sustain.<sup>34</sup>

## NOTES

1. The total African debt amounts to \$110 billion. This is substantially less than the much more discussed debt owed by the group of middle-income countries (such as Mexico and Brazil) that amounts to \$485 billion. Most of the African debt is owed to other governments or to multilateral agencies, whereas the Latin American debt is mainly to commercial banks (Washington Post, June 22, 1988; Wall Street Journal, Sept. 30, 1987).
2. The World Bank gave almost all of its aid in the form of projects up through the 1970s. By 1985 it was giving 10 percent of its loans to assist policy reforms directly. As of early 1988 25 percent of its total lending went for this purpose. Present Bank policy is to keep its balance of payments assistance within this percentage and continue to give 75 percent of its loans in the form of projects. Increasingly, however, Bank projects are coordinated with policy reforms or structural adjustments (Please, 1984).
3. USAID has increased the percentage of its assistance going for balance of payments support from 16 to 32 percent.
4. An agreement in June 1988 by seven major industrialized nations to provide debt relief for the poorest countries of Africa is an important example of the kinds of external action that can significantly affect the outcome of current efforts at policy reform in Africa. According to the agreement, lending countries can offer better terms to African nations, such as longer repayment schedules, partial write-offs and interest rate concessions. Whereas the United States had formerly insisted that debts not be forgiven, the new agreement left each lending nation free to pursue its own form of assistance in sub-Saharan Africa (Washington Post, June 22, 1988).
5. For differing assessments of changes in the World Bank see Bock (1986) for a positive evaluation, and Hayter and Watson (1985) for a more critical review.
6. For a useful review of the impacts of reforms on the poor, and some suggestions for carrying out "adjustments with a human face," see Cornia, Jolly and Stewart (1987).
7. For a particularly compelling classic statement of the importance of external factors, and particularly the role of ex-colonial powers in creating dependency relations, see Davidson (1974).
8. Implementation problems are explored in Kydd (1983); Moore (1988); Sukin (1987); Weaver (1988); Weidemann (1987).

9. Cited in USAID, Country Development Strategy Statement, FY 1989, Annex 1, p. 38.

10. There is growing literature in this field, much of it coming out of the field of public choice theory and political economics. Among the sources, see Wolf (1986); Moe (1984); Nicholson and Connerley (1988). This last article reviews the recent literature in development studies that is relevant to the "limit and privatize" perspective.

11. Guinea is an exception in that salaries have been effectively raised even though there has been little real reduction in the numbers in the civil service. The civil service has been reduced from 88,000 to 80,000 but much of this is only on paper. Some has come from closing parastatals and many in the regular civil service who have been let go are still receiving a salary. While their "special status" is supposed to be temporary, the deadline continues to be extended in spite of donor efforts to set limits. In December 1987 the salaries and allowance for those civil servants selected to remain in the service were increased. Their base salary was raised by 80 percent and their transportation allowance was doubled. (Figures taken from World Bank Reports, January 1988.)

12. A similar comparison of individual and organizational approaches to training is made in a review of training for the World Bank. It found that most training deals with individuals and fails to develop a training capacity within developing countries or to provide institutional support for the training. Because research and training institutes are generally weak, it is understandable that donors would choose to fund individuals. The problem is that this undermines the commitment of individuals to their institutions, and means that little is done to provide backup support for individuals (Steedman, 1987).

13. For a review of the extensive literature associated with this approach and some of its recent applications to development management see L. White (1987, chapter 4).

14. For an interesting analysis of the limitations in efforts at broad administrative reform see Hammergren (1983).

15. The Performance Management Project, sponsored by the Science and Technology unit within USAID, has adopted this approach and generated a number of very important studies and applications to development activities (Rondinelli, 1987).

16. The Development Program Management Center (DPMC) has extensively applied this approach to development management. See for example, Ingle (1985). DPMC's work is reviewed in L. White (1987) and Rondinelli (1987).

17. A recent review in the Macroeconomic Annual for 1987 (National Bureau of Economic Research), for example, notes that economists have been unable to explain, model or predict the determinants of exchange rates. I am grateful to Joanne Paulsen for calling this to my attention.

18. As of early 1988 Guinea had privatized 16 parastatals. Eleven more are scheduled for privatizing and 14 are in the process of being liquidated. It is becoming clear that not all of the firms will be able to find purchasers.

19. Guinea has had to confront these tradeoffs. Desperately short of domestic capital, foreign interests are playing an increasing role in the Guinean economy. Three new banks are under French auspices; French trading houses have made a joint arrangement with the government to import food; French businesses are supplanting local businesses in food distribution. According to African Report, Guineans resent this very visible role and fear that France is trying to "neo-colonialize" the country (Schissel, 1986, 25).

20. A number of works emphasize the political dimensions of the reforms including Cohen, Grindle and Walker (1985); Bienen and Gersovitz (1985); Nelson (1985, 1986); Ravenhill (1986).

21. Washington Post, June 13, 1988.

22. Bates' analysis has generated a lot of interest. Two symposia reviewing and critiquing his theory can be found in IDS Bulletin, January 1986, editors Theo Mars and Gordon White; and Development and Change 17, 1986, editor Brian Van Arkadie.

23. Quoted in Washington Post, Nov. 15, 1987.

24. For example, there is very little difference in the wages offered to university and high school graduates. Also, while salaries of civil servants have increased during the 1980s, they have declined in constant dollars. However, this decline has been dramatic for Assistant Directors, and quite minimal for the lowest paid workers (Meesook and Suebsaeng, 1985).

25. For a good review of problems associated with parastatals in Africa, and the need for more discriminating attention to different kinds of parastatals, see Nellis (1986).

26. As an example, the World Bank's portfolio in Guinea includes a \$120 million structural adjustment loan negotiated in 1986, 20 on-going projects worth \$150 million, plus more than 11 long-term experts offering technical assistance. In 1986 France gave \$35 million for balance of payments support to Guinea, \$53 million in project assistance, and support for more than 50 long-term consultants (USAID, CDSS, 1987, 26-29).

27. The World Bank is often more intrusive than the IMF. For example, the IMF and the World Bank may both analyze a country's economy and agree that since resources are limited the economy needs to contract. The IMF focuses on the aggregate figures rather than on specific cuts and is willing to allow the local government to choose where it will cut activities and expenditures. The World Bank, however, is more apt to get involved in recommending where cuts should take place, for example, to urge governments to dismantle an airport, or to discontinue practices that it believes will not stimulate growth over the long run. The IMF is now beginning to promote specific changes. For example, it is urging the Nigerian government to reduce its gasoline subsidy and its capital spending (Washington Post, June 13, 1988).

28. The so-called Berg Report (IERD, 1981) played an important role in stating a strong case for privatization and has been very influential since its publication. At the same time it offered little critical evaluation of the role of the private sector, and recent assessments have been more discriminating (Ravenhill, 1986).

29. This more functional approach is suggested by the work of Richard Nelson (1987).

30. A number of case studies of countries undertaking policy reforms offer careful assessments of the roles of the public and private sectors. See Swainson's study of the Kenya Tea Development Authority (1986); Morrison's study of the Botswana Meat Commission (1986); Macintosh's study of reforms in Mozambique (1986). Bradford's study of the role of the government in stimulating economic development in the Southeast Asian countries is also relevant (1984).

31. A number of important studies have been done which explore the roles of different institutions throughout the society, particularly local, voluntary organizations. See Esman and Uphoff (1984); Uphoff (1986); Gellar (1985). While these were not written in the context of structural adjustments, the emphasis in this study on the linkages between macroeconomic changes and sectoral adjustments makes them an important resource. Azarya and Chazan offer an interesting supporting argument. They note that the public in Africa often becomes very alienated from their governments and turn to their own forms of organizations (1987). For more general explorations of institutions see Brinkerhoff (1986) and Bryant (1985).

32. Compare the following observation about the literature on development management: "We tend not to notice the need for straightforward and basic management skills to meet equally straightforward and basic weaknesses in organizational structure." (Dichter, 1987, 12.)

33. Washington Post, June 13, 1983.

34. Macintosh stresses the need to adapt reforms to specific contexts in her study of reforms in Mozambique. Reforms need to be adapted to the war time situations of that country and to its two tier budget process (1986).

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