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AID AND AFRICAN CAPACITY BUILDING

**A report for
The Bureau for Africa,
Agency for International Development**

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I. USAID AND AFRICAN CAPACITY BUILDING

A. INTRODUCTION

For at least three years, staff members at the World Bank have been exploring possibilities of a major donor initiative to improve the quality of economic policy making and management in African countries. These plans reached the point of a June preliminary pledging conference at which significant funds were committed, although not yet in the abundance anticipated. A number of donor organizations requested additional details of actions to be taken under the African Capacity Building Initiative (ACBI) before they decide upon participation.

In May of this year, the Africa Bureau of AID asked HIID to undertake a series of rapid assessments of analytical capacities, the policy process and prospects for useful intervention in several African countries (See terms of reference in Appendix A).

In June and July, two-person teams from HIID visited Botswana, Tanzania and Zaire for around 10 days each, with briefer stops in Kenya and Senegal. In Tanzania and Zaire, local economists participated as members of the assessment team. The teams, guided by the study framework attached (Appendix B), sought interviews with senior officials in the ministries responsible for finance and planning, some sectoral officials, university administrators, expatriate advisors and scholars, and World Bank and other donor agency representatives.

One must be cautious about making continental generalizations based upon such limited information, but some general findings emerged which could be useful to AID as it frames its response to the ACBI. Before summarizing the general points, however, a word must be said about the fragility of research, training and policy making systems in Africa. Virtually every attractive opportunity for intervention has down-side potential. Everything that can be done can be overdone, or done in the wrong way, with unintended ill effects. That is not surprising in itself, but in Africa the point at which a good idea turns sour seems to be reached with startling suddenness.

Examples of this phenomenon will be found throughout the report, but the following serve as illustrations: the positive potential of short courses vs. the negative impact of too frequent absences of key staff from planning and policy analysis positions; the virtue of creating a market for economic research and analytical studies vs. the attendant neglect of teaching responsibilities and, sometimes, the inflation of private professional incomes drawing able civil servants from their jobs; the benefits of collaborative research vs. the seductive lure of advanced research methodologies which may contribute little to the policy process; or the attraction of regional centers of excellence vs. the anticipated drain of scarce intellectual resources from the national institutions of the area.

These are all familiar tensions, none unique to Africa, but in the African context they combine to limit the direction of any particular innovative thrust in building indigenous policy capacity.

A related point concerns the way in which ACBI is sometimes perceived in Africa. The motives of the Bank and the IMF are seldom questioned, but welcome as the new policy-oriented initiatives were to thoughtful persons we interviewed, they were also generally viewed with some misgivings. The Bretton Woods institutions are so important at this stage of African development that their interests and intentions often carry the day, even when the host country feels differently.

Governments would prefer to make their own recipes for structural adjustment, rather than eat solely from a menu prepared by the Bank and Fund, even if the latter have recognizably better trained cooks. Thus they are enthusiastic about a program which promises them improved capacity to deal with their problems, and with the Bank and Fund themselves, but skeptical that the initiative may become one more instrument for foreign catering.

Mindful of the advantage of the "Made in Africa" label on ideas, we have attempted in the body of the report to ascribe suggestions, if not to the individuals who made them, at least to the context in which they were made. It would not in most cases be fair to quote an individual out of context, but neither is it right to suggest that proposals and recommendations found here originate solely with the authors of this report.

B. GENERAL CONCLUSIONS

1. In many African countries, and for the continent as a whole, the demand for economic analysts and researchers is growing much faster than the supply. Substantial investments to improve training in economics and related fields are needed for strengthening institutions within Africa and for sending students abroad for advanced training.

2. In those countries newly determined to restructure their economies, such as Tanzania, substantial re-tooling will be required for government staff who have not been called upon to use analytical skills, and for university people who need acquaintance with techniques for relating theory to practice.

3. The more significant deficiencies of African economic management may not be fully addressed by improving policy processes alone. The performance of the civil service is in many cases so poor as to render sound policies almost useless. Corruption and lack of motivation for performance are two prime causes of non-implementation of policies, but there are others, including inadequate mechanisms for translating policy pronouncements into feasible programs, and lack of agreement among elements of government over policy outcomes. Investment in policy implementation activities could have as great or greater long run impact as the concentration on analysis and decision-making.

4. In the long run, strengthening the government service may be a necessary but not sufficient condition for healthy economic activity. Botswana has almost everything going for it, yet the rate of growth of the non-minerals sectors, apart from government, is disappointing. Stimulation of the private sector is widely regarded as the appropriate answer, but this may take somewhat more than simply getting the policies right. African entrepreneurs and traders are emerging, but slowly. Measures need to be considered for speeding up the process of African private sector growth.

5. Regional institutions, particularly those involving physical structures, have a checkered history in Africa, yet there are important economies to be achieved through appropriate forms of regional cooperation. The SACCAR model of coordinating international investments in meeting agricultural research needs, and the AERC model of stimulating and coordinating economic research and training, may each have important lessons for other fields.

6. Technical assistance in the form of resident advisors and visiting consultants will continue to contribute in important ways to African development for some time to come. It may be possible to find ways to improve the use of expatriates in developing indigenous human resources.

These findings suggest two types of activities, those designed to improve the supply of qualified African policy analysts and economic managers in the long run, and those designed to improve the effective use of current resources. Consequently, the recommendations section at the end of the report deals first with education and training strategies, then with governmental uses of analytical and managerial skills, and finally with the organization of research outside of government departments.

The discussion is complicated by the geographic realities of Africa. The small size of the economies and the populations of many African countries present not only market development problems, but also operational problems for the donor community. Economies of scale must be sought if donors are to contribute effectively to development in all the countries of the region.

For that reason, regional organizations are particularly attractive to donors. Yet the history of regional cooperation in Africa is not a happy one, and many Africans feel that regional institutions, particularly if they involve physical facilities, are neither desirable nor viable. For this paper it is necessary to come to some conclusions about what sorts of activities are most conducive to a regional approach. The issues are discussed in the Zaire Chapter and action recommendations presented in Chapter VII.

II. BOTSWANA

A. INTRODUCTION

Botswana seems at first to be a strange choice for a rapid assessment of deficiencies in policy-making capabilities in Africa. Not only is the Botswana economy growing at an enviable rate, over 12 percent per year, but its policies governing the economy and the distribution of resources are generally considered to be sound and enlightened. The country's social, political and racial policies are also held in high regard, an exceptional achievement for a country virtually surrounded by minority-ruled regimes at the time of its independence.

In fact, it is the paradigmatic nature of Botswana's economic and political systems that makes the country of unusual interest. It represents a "best case scenario," a model of African development under nearly ideal political and economic conditions. Yet with all its favorable attributes and circumstances, if diamond exports were somehow removed from the economy while retaining the availability of capital they make possible, the growth rate of the economy has been estimated at between 4.0 and 4.7 percent per year. This is still very high, compared with most other African economies, but it is only around 1 percent more than the rate of natural increase, and hardly an abundant return on the sound policy environment which has been created.

Looking at the Botswana experience, other countries on the continent with less stable and enlightened policy environments, and less resources with which to work, may find dim the prospects for rapidly emerging from their economic doldrums as a result of adopting more sensible economic policies. Unless some explanation can be found for the lackluster performance of the non-mineral sectors of the Botswana economy, the incentives for policy reform in other countries may be meager, and the rewards for policy reform may be disappointing.

B. BACKGROUND

Setswana-speaking people settled the area now called Botswana in increasing numbers in the 19th Century, many of them refugees from the Zulu wars. In 1885, the British responded to requests from Botswana chiefs for assistance by declaring the area the Protectorate of Bechuanaland, but they exhibited little interest in either settling there themselves or in investing in the development of the indigenous people. It was assumed, at least until the Nationalist Party came to power in 1948, that the territory would eventually join South Africa. Bechuanaland was actually governed by officials living outside its borders in Mafeking, South Africa.

Only in the late 1950s, when eventual independence became likely, did the pace of development increase. By 1971, when the first census was taken, Botswana had a population of just over 630,000. Of the labor force, defined as everyone over ten years of age, 57 percent of the males were engaged in traditional agriculture, 10 percent in full-time wage employment, 13 percent combined agriculture and wage employment, and 20 percent, mostly school children and Bushmen, had no discernable economic activity. Only 3 percent of women over ten were in wage employment.

Educational attainments at the time were modest. Only 2 percent of the population over 55 years had completed primary school or better, and even in the 25-40 age group the percentage was only 14. There were, however, 140 university graduates, which was slightly more than Tanzania, with 20 times the population, had at independence.

The discovery of vast wealth in diamonds in 1969 came three years after

independence; and in 1970 ninety percent of exports were still beef products. The country was attractive to the outside world, and to the donor community, mainly because of its precarious position as a majority-ruled poor country with South Africa, Southwest Africa, and Rhodesia as neighbors. The leadership of Seretse Khama, the first president, was widely admired and the multi-party, democratic institutions of the country were seen as symbolic of the humane and progressive future which could be enjoyed by southern Africa under majority rule.

The Botswana have strong traditions of consensual government, as described in "Democracy in Botswana," published by the Botswana Society in 1988. The central feature of the tradition was the *kgotla*, a meeting place where public issues were discussed almost daily in the early mornings and late afternoons. Other elements of the democratic tradition include decentralization of government and the institutionalization of advisors in the decision making process of the chieftaincy. Perhaps as a result of that tradition, and of the high quality of leadership the country has enjoyed under Seretse Khama and his successor, President Quett Masire, Botswana has enjoyed exceptional political stability since independence, and has not resorted to coercion or repression. The country remains, after a quarter century of self-government, an attractive model for African development in terms of political freedom, civil rights, racial tolerance, social justice and economic equity, and overall economic growth.

These qualities, and their manifestation just next door to South Africa, have enabled Botswana to continue to receive generous foreign assistance despite its own financial success. The country uses foreign aid very well, and certainly continues to need both technical and educational assistance as it strives to bring its people to modern levels of productivity.

One of the early influential donors was the Ford Foundation, whose representative in Eastern Africa at the time was a personal friend of President Seretse Khama. The Foundation provided residential staff in a number of key positions, including advisors on staff development, education policy, minerals policy, and finance and development planning. The Government and the Foundation both recognized that the benefits of national development could only be realized if the Government could use the investment of revenues from mining elsewhere in the economy for the population as a whole.

The Foundation continued its technical assistance from 1969 to the late 1970s when, as a matter of policy, it turned from the policy advisory field. At that point, the resident economic advisor was Professor Stephen Lewis, who convinced his colleagues at Williams College to set up a program for the continued provision of technical assistance to Botswana with funding from various donors and the Government of Botswana itself. When Lewis left Williams, the administration of the program moved to Toronto University where it remains. Funding for the four senior advisors currently resident in Botswana is now met by the Government alone.

The Williams/Toronto program also covered training. For the last 20 years, at least one participant from the Ministry of Finance and Development Planning has been in the Williams Masters program geared to mid-career officials from developing countries. The products of this training are generally outstanding and set a high standard of performance for the Ministry.

In addition to the able advisors who have served in policy-related positions in Botswana under the Ford/Williams/Toronto program, the Government has had access to advisory services and operational experts from other donors including AID. The ability to maintain high performance standards for its own people, and to utilize foreign staff and advisors regardless of race to fill gaps in locally available expertise, is one of the remarkable characteristics of the policy process in Botswana.

A "Strategy Review and Evaluation" conducted of the USAID program in Botswana in 1987, found the monetary, fiscal and commodity-pricing policies of the country to be generally sound, and excellent examples for developing countries. The major policy problems it identified were the comparatively high value of the pula, and a relatively high formal sector wage rate; both factors contribute to high rates of unemployment and underemployment. Apart from the dynamic minerals sector, and the sectors benefiting from minerals (government, and wholesale and retail trade), the economy was sluggish. Some of the disappointing performance of the rest of the economy was, however, due to a prolonged drought which has since ended.

In recent years Botswana has had some success in relieving the hardship of poor unemployed, underemployed and unskilled through the provision of health and education services, and in alleviating the impact of drought. Economic diversification and development measures have also made gains, but the basic problem of raising the earned incomes of households through their direct participation in productive processes remains.

C. STRUCTURE OF ECONOMIC DECISION MAKING

1. Lead Role of the MFDP. The Ministry of Finance and Development Planning (MFDP) has been the lead ministry in the country since the functions were combined in the early 1970s. Planning Officers in all major ministries, except for Agriculture, are professionally responsible to the MFDP, and membership in the elite corps of planners is seen as a route to advancement to senior posts throughout the Government.

A number of current ministers and permanent secretaries were planning officers earlier in their careers. President Masire was formerly Minister of Finance and Development Planning. The Permanent Secretary of MFDP is a powerful force in Government, and one of the most able civil servants anywhere in Africa or beyond.

2. Policy Formation. The policy process in Botswana is a complex affair, highly participative and consultative, but engaging technical expertise at appropriate points in the approval process. The process generally originates in one of the ministries, where staff draw up a draft policy statement and circulate it to all other ministries with a stake in the issues involved.

After consultation with these ministries, and revision of the draft to reflect the various opinions, the policy paper goes to the Economic Committee at cabinet level. On this Committee are all Permanent Secretaries, plus the Attorney General, the Governor of the Central Bank and the heads of the police and army. This is not a decision-making body, only an advisory one, but it helps the initiators of the policy paper to gain a sense of opinions from other quarters.

After a second revision, the originating ministry submits the policy paper to the Cabinet for debate and approval. Once approval is gained, a White Paper containing the Government's views is tabled before the Parliament for debate and approval or amendment. If approved, the policy becomes official.

3. Rural Development Policies. The process varies somewhat when the issues concern rural development or labor issues. Rural development policy formation engages the citizens at the local level through Village Development Committees. Village and district representatives of Government ministries sit on VDCs with local people, and discuss policy proposals originating locally or from some other source. The recommendations of VDCs are discussed at the District level, and then in the Rural Development Council composed of Cabinet Secretaries chaired by the MFDP. The Council has a secretariat staffed by the MFDP, and subcommittees from various ministries to consider key policy issues such as

food strategy.

4. *Employment and Incomes Policies.* In the labor field, the National Employment, Manpower and Incomes Council (NEMIC) was created in 1972 to produce a general policy on incomes, employment, prices and profits. Membership on NEMIC consists of the Permanent Secretaries of six ministries and representatives of the employers group (BOCCIM) and of the 13 trade unions. NEMIC has subcommittees on manpower (training), incomes, wages, prices, taxes, and profits.

MFDP provides the secretariat for NEMIC, as it does the Rural Development Council. This could lead to strong MFDP influence on the recommendations of NEMIC, but we were assured that no pressures are applied to the members of the secretariat to make NEMIC views conform to preconceived policy preferences of the Ministry.

NEMIC took two years to devise an initial employment policy, from 1972-74. Its work was inspired by the adverse impact of mineral wealth on the social fabric in Liberia and Zambia, two African cases the Botswana Government was determined not to emulate. In those countries, a highly paid and privileged segment of the labor force flourished in the mining sector, but the rest of the country stagnated. Botswana was determined to use the mineral wealth to benefit the entire population, and to avoid inflating salaries to the point that no local products other than minerals were competitive on the world market.

The employment policies were revised in 1976, and reviewed extensively beginning in 1982. A team consisting of a British economist and a local consultant studied the incomes policy, the Institute of Development Management (IDM) reviewed prices, an ILO/SADCC team reviewed the minimum wage, and NEMIC staff scrutinized expatriate compensation levels. The Government did not accept the studies of prices and expatriate compensation, but the minimum wage and incomes policy studies led to policy revisions in 1985.

In 1988, another full policy review was initiated, this time with a Presidential Commission overseeing the process. NEMIC again provided the secretariat to the Commission, which is composed of Government staff and consultants, and university people. A number of studies have been commissioned to be undertaken by university faculty members, the National Institute for Research, and outside consultants. At the culmination of the process, the MFDP will take into account the recommendations of the Presidential Commission and NEMIC, and then make its own recommendations to the Cabinet. A White Paper on Incomes Policy based on the recommendations of the Commission was presented to Parliament in August 1990.

Through this process, Government attempts to set wage and incomes standards for the entire economy: it determines minimum wages, sets Government salary scales, and expects the private sector to follow Government's example. This process places NEMIC at the forefront in trying to resist the escalation of wages over opportunity costs and the subsequent pricing of Botswana's products out of the international market.

Success in this endeavor is mixed. Botswana has successfully avoided many of the excesses to which mineral exporting countries often succumb, such as construction of showcase projects, inflationary spending, building tariff walls to protect inefficient industries, and providing subsidies to achieve social or economic objectives. (A Financial Assistance Program (FAP) does subsidize labor in new industries, but this type of subsidy under Botswana's conditions contributes to the efficient use of resources.)

Gradually, however, Government expenditures and wage increases have put pressure on prices, and may account for much of the difficulty Botswana has in increasing non-mineral exports. It is hard to resist increasing expenditures and wages when revenues

triple expectations, as has happened in the current National Development Plan.

At the lower end, minimum wages may be 50 to 100 percent higher than their opportunity cost. The Labor Force Survey issued by NEMIC for 1984-85 reports an overall unemployment rate of 25.3 percent, with a further 16 percent underemployed. At the upper end, however, the Government has held the line against raising the wages of citizens to equal those of expatriates, despite comparable abilities.

5. Other Policy Mechanisms. In addition to the RDC and NEMIC, other bodies participate in the formation of policies in special fields. A Tax Review Committee, for example, consists of heads of MFDP Macro and Finance Divisions, the Taxation Department, and Customs and Excise, the Tax Advisor, and the Attorney General. Also, Consultative Committees with interdepartmental and interministerial memberships review interest and exchange rate policies, banking regulations, and mineral policies.

In keeping with the *kgotla* tradition, public fora are often held on major issues. A four day conference, for example, on agricultural policy, was attended by 500 people ranging from farmers to university people. Similar meetings are held on housing and population policies in order to inform and learn from the interested public.

One of the more notable public occasions in recent years was a two-day meeting on Private Sector Development held in Francistown in 1988. Sponsored by the Government and BOCCIM, the employers' organization, the meeting had financial backing and participation from USAID. Constraints to more rapid private sector development were freely discussed in an attempt to foster a policy environment more conducive to private development.

The openness with which policy issues can be discussed in Botswana, not only in economic fields but in political areas as well, was exemplified at a symposium on democracy held in Gaborone in August, 1988, culminating in a University of Botswana research project. The traditions and practices of democracy in Botswana were critically examined and compared with Greek, Roman, French and American democratic experience, as well as with one-party examples from modern Africa.

D. SOURCES OF ECONOMIC ANALYSIS OUTSIDE OF GOVERNMENT

The University of Botswana is not yet a major source of policy-oriented research and consultations. The Economics Department has eleven posts, but only seven are currently filled. Of those, only two are Botswana, and only two of the five expatriates have doctoral degrees. Botswana has had no brain drain problem, but the University has not held strong attractions for those qualified to enter the Economics Cadre.

The University is dedicated to supporting the development process to the extent that it can. Its development plan is geared to the national planning process, and the committee designing the University's role in National Development Plan 7, to be launched in 1991, includes members from the MFDP, the Ministry of Education, and the Department of Public Service Management.

A National Institute of Research and Documentation (NIR) was established at the University in 1975. Its research agenda has a rural development cast focusing on:

- the environment,
- education and society,
- health and nutrition, and
- migration, settlement, trade and labor studies.

Professor Thomas Tlou, the Vice-Chancellor, encourages consultancies by faculty members and believes they will increase in number once the staffing situation stabilizes. For the past year, the University has been unable to attract a senior person to head the economics department, despite the willingness of the British Government to top up the salary.

As Botswana does not have substantial private consulting capacity in economic policy fields, the Government meets most of its needs through foreign assistance or through the Williams/Toronto program. Experienced development economists serving as advisors in MFDP in effect substitute for local economic research and consulting capacity. In the long run, Botswana will want its own research capacity, but until now the ability of the Government to afford and to attract high quality advisors appears to have served it well.

E. NUMBER AND QUALITY OF TRAINED ANALYSTS AVAILABLE

The public service has in the past hired all graduates of the University, with the MFDP taking first pick of those with degrees in economics and statistics. Now, the Government has agreed to requests from the private sector through NEMIC to share university output; graduates are allocated by the DPSM one third to local government, one third to central government, and one third to parastatals and private industry. The preference of graduates for placement among these sectors is taken into account, but in the final analysis they are bonded to stay wherever they are placed for five years as a condition of their scholarships. (DeBeers Deptwana sponsors its own students at the University, thus avoiding the allocation system.)

The Report of the Presidential Commission on employment and incomes policy may recommend the abolition of the bonding system, allowing graduates to compete for jobs, but that has not yet been determined. Another rumored recommendation affecting the supply of future analysts is a reversal of an earlier decision to evaluate positions primarily on the basis of supervisory responsibilities, which put professionals at a disadvantage.

Candidates selected into the Economist Cadre, which includes all economists in the public service except agricultural economists, must have a good first degree (first or second class honors) in economics. Once accepted, they are eligible for advanced training abroad, normally for a masters degree, after two or three years of satisfactory service. Members of the Economist Cadre normally receive advanced training at Williams, Sussex, Bradford and Toronto.

The Economist Cadre is headed by the Director of Economic Affairs, the second ranking civil servant in the MFDP after the Permanent Secretary. Its members may be assigned to posts in the MFDP, to planning offices in any Ministry save Agriculture, or to economist positions in local government. The planning officer's day-to-day responsibility is to the Ministry to which he or she is assigned, but he or she remains under the professional supervision of the Director of Economic Affairs.

There are other Cadres in the public service, such as the Personnel Officer Cadre, the Financial Officer Cadre, and, on a larger scale, the Unified Local Government Service and the Unified Teaching Service. The Economist and Financial Officer Cadres seem to constitute a fast track in the public service, reflecting the leading role of the Ministry to which they belong.

One potential drawback of this system is the absence of specialization within the field of economics. At some point soon, Botswana may wish to develop education economists, transport economists or natural resource economists, rather than use general development economists to serve the planning needs of those sectors. This type of specialization will become particularly appropriate when the Government begins sending

its officers for doctoral training abroad, an option currently being considered. So far, however, the Economist Cadre system seems to have served the country well, creating a group of highly able people with common standards.

Only recently has this elite group begun to suffer defections. In one month, four young officers resigned to accept positions in the private sector or with parastatals. Although the Government is in favor of expanding the private sector, these departures were clearly of concern to the Permanent Secretary and others on his staff. The reasons the four departed reportedly had to do with entry level salaries, which are lower for Government than for the parastatals and the private sector, and the ready availability of housing provided by parastatals. One can expect to be allocated a house within three months of joining the Botswana Development Corporation, whereas it may take up to ten years to receive one in Government service. Private housing is very expensive and generally of low quality, which places a premium on the housing perquisite.

The number of trained and experienced Botswana analysts continues to increase, but so does the demand for analytical services. The Permanent Secretary of MFDP, Mr. Baledzi Gaolathe, said that the percentage of Economist Cadre posts filled by expatriates has declined, but their actual number has grown because of increased overall demand. Expatriate planning officers are not considered to be advisors; their job descriptions are exactly the same as their local counterparts, except that they have a special responsibility to pass on their skills to their local colleagues. At the present time, eight expatriates hold planning officer positions, in addition to the four expatriate advisors provided under the Williams/Toronto program. (Two advisors are in MFDP, and one each in the Ministry of Mineral Resources and the Ministry of Commerce and Industry.)

F. TRAINING OPPORTUNITIES

1. Advanced Degrees. The Government has been able to send promising candidates abroad for advanced training, in accordance with its staff development policy, after two or three years service. Donor funding is sought where available, but Botswana pays for the training if outside support is not available.

Botswana will shortly need to begin sending people abroad for doctoral training. This policy decision is already under consideration, and positive action may be taken at any time. The best candidates for such training will probably be found in the Economic or Financial Services. Their academic potential can be judged from their success in their masters' programs and their performance on the job.

2. In-service Training. Before and after this formal training, members of the Economic Service are often able to work with expatriate planning officers and consultants. This kind of on-the-job experience is valuable and could be heightened by giving more conscious attention to the tutorial dimension of the expatriate's job. Senior officers of the Ministry are understandably seized with the importance of daily decision-making and consequently may place higher value on the immediate professional output of experienced staff than on their training responsibilities. Unless training receives high priority, it is likely to give way to more immediate activities, with the result that expatriate staff can inadvertently become obstacles to the professional development of junior staff.

In the MFDP, one of the outstanding young planning officers has in fact advanced very rapidly up the career ladder, becoming senior planning officer only three years after receiving a masters degree. He benefited greatly from working closely with an expatriate officer and a visiting consultant, which illustrates that in-service training and staff development does occur. More could be done, however, internally in MFDP to upgrade the quantitative skills of junior staff and to use policy decision memoranda for instructional purposes. Before policies have been promulgated, the staff papers in which issues are

debated must remain confidential, but in later months or years the sensitivity of such material could lessen while it retains its instructional value.

3. University of Botswana. In NDP 7, the University plans to launch graduate programs concentrating on fields which contribute to development. These plans are not yet concrete. An international commission headed by the former Vice-Chancellor of Bradford University is scrutinizing the University with a ten year time perspective. Also, the Government will need to accept the plans of the University before funding is likely to be forthcoming. The initiation of a graduate program in economics would be a likely direction for University expansion, but the prospect is dimmed by the current weakness of undergraduate instruction in the field.

Professor Tlou, the Vice-Chancellor, is aware that the economics department needs to be strengthened. Improving the numbers and quality of economics graduates is constrained both by the limited intake of qualified candidates from the secondary schools and the staff shortage in the department. The secondary school quality problem will be solved in time. Botswana has largely achieved its objectives at the primary education level and is shifting priority to the secondary level. The USAID Mission supports quality improvement projects at both primary and secondary levels; both very important targets for assistance. The shortage of qualified university staff will not be solved internally in the foreseeable future, and also requires donor attention.

4. Business Education. Most officials contacted in Government and the University believe a vigorous private sector is essential to stimulate economic growth. Business education has generally been neglected at the University, although a B. Commerce degree is available.

Vice Chancellor Tlou believes that a separate faculty should be established in the University for business education. This would free the business professors from some of the regulations of the Faculty of Social Sciences and allow the Faculty to establish a separate character and identity.

Mr. Richard N. Mannathoko, Chairman of BOCCIM, the Botswana employers group, and a successful business executive, expressed a similar sentiment concerning the character of business education. He began our interview with the statement "We don't have the culture for this," meaning private enterprise. He explained that although Botswana can readily learn the principles of business and entrepreneurship, their traditions do not emphasize individuality and aggressive enterprise. The very characteristics of the culture that lend themselves to democratic and consultative forms of government, may work against individual self-reliant enterprise and risk taking.

Mr. Mannathoko also pointed out that the University has so far been used as an avenue into Government employment. As the style of teaching as well as the subject matter reflect this intention, it has not been a fertile breeding ground for indigenous entrepreneurs. A somewhat different climate is required for dynamic business education.

The evaluators of the Botswana Work Force and Skills Training Project (BWAST), also identified cultural factors affecting the training of entrepreneurs:

"There is a cultural constraint on development prospects in Botswana, and it is well-recognized. It is difficult to superimpose a modern growth strategy on top of traditional--in this case, largely pastoral--principles of commerce and of the necessary linkages between rewards and performance. What some social anthropologists consider an enlightened form of consensus decision making is seen by employers as a manifestation of risk avoidance and an unwillingness to accept responsibility." (p. 12)

The USAID Mission in Botswana recognized the importance of business education several years ago, and the BWAST project was administered flexibly in order to encourage training for people in the private sector. The GMAT for MBA programs is a difficult exam for most foreign students, and many candidates from Botswana found themselves in MPA programs when their GMAT scores failed to qualify them for business training.

G. CONCLUSIONS AND OBSERVATIONS

Our overall impressions of the ways in which the Government of Botswana formulates policy are very positive. We are also very impressed with the USAID relationship with the Government and the targeting of the assistance funds available.

Perhaps the most useful aspect of the visit for the purposes of this report is the awareness Botswana gives one of the time it takes to design a high quality indigenous policy making capability, and the limited benefits which can be expected from improving the quality of policy making alone. Our observations can be summarized as follows:

1. Botswana's capacity for indigenous policy formation is limited by the numbers of trained people available for employment. Achieving independence with a small population and a very low educational base, Botswana has invested heavily in human resource development and is making impressive progress in educating its people. Remarkably, the Government has the self-confidence and wisdom to maintain high standards in the development of its Economics Cadre, and to continue to rely upon expatriate staff and advisors to fill positions.

2. Demand for trained analysts in the Government is very high. The supply constraint could be eased somewhat over time by the following actions:

- a. Increasing and improving the output of the Economics Department at the University of Botswana by strengthening the Department through topping up salaries and providing logistical support for visiting scholars and graduate students;

- b. Providing support for training abroad at the masters and doctoral levels. This sort of support is already part of the Mission's program, but we wish to support the idea. The Williams program has made a very valuable contribution to the quality of the Economics Cadre, and Botswana's continued participation in it should be continued while encouraging others to advance to PhD training.

- c. In-service training by advisors and opex staff should be given higher priority. Instruction in quantitative methods and in policy issues using actual position papers could be scheduled on a regular basis.

- d. The employment of resident opex staff and advisors could be gradually reduced by the use of former residents as short-term consultants on a fairly regular basis. In this way, the involvement of successful and knowledgeable people can be continued without blocking avenues of promotion for indigenous staff. The tendency of senior officials to rely upon expatriates would be lessened if they were only available periodically.

3. The basic problem of increasing employment and stimulating non-mineral related sectors of the economy will be little affected by efforts to indigenize the policy process more rapidly, or to improve the quality of policies. The stimulation of indigenous entrepreneurship is a high priority, but long range, activity for USAID and other donors. Start-up capital is said to be in short supply, a condition which could be easily remedied, but cultural factors affecting motivation may be more difficult to overcome. A different environment from that currently prevailing at the University may be conducive to business

training. Possible AID responses to this problem, in addition to the extensive work in the private enterprise field already planned, include:

a. Designing GMAT preparation courses for scholarship candidates, including upgrading of quantitative skills;

b. On a regional basis, helping to establish a first rate business school somewhere in English-speaking Africa. The case for this initiative is discussed in Chapter VII.

III. TANZANIA

A. INTRODUCTION

Tanzania has an air of optimism about it. The streets are badly pot-holed, buildings run-down, and offices clearly over-crowded. In the Planning Commission, the same dog-eared files seem to be in the same wooden racks in the old German buildings along the port entrance that they were in 25 years ago. Computers and other even less modern office equipment are not in evidence (except in the University).

Yet conversations in Government offices and the University are decidedly up-beat. There is a sense of renewal that reminds one of the confident immediate post-independence era. Demand for policy analysis is high in Government, and economists at the University have a variety of research and consulting opportunities open to them.

The reasons for the optimism lie in the U-turn Tanzania is making in its philosophy of government. Gradually, economic policy making is coming under Government control, with less ideological dictation from the Party and more consideration of market forces. Some say the turn began with the budget message of 1984, others look back three years to when University economists became more involved in policy-oriented studies for the Government, others think changes only began in earnest in the past six months.

But most agree the policy change will not be complete until August at least, when leadership of the Party and the Government are again unified and can speak with one voice. Until then, there is concern that the ideological forces governing the country since the Arusha Declaration of 1967 will continue to constrain actions aimed at liberalizing the economy.

B. BACKGROUND

The policy process in Tanzania, perhaps more than other African countries, needs to be viewed through an historical lens. This background section is therefore a bit more extensive than would be appropriate in other cases.

Tanganyika, which joined with Zanzibar to become Tanzania in April, 1964, was exploited for slaves and ivory for centuries, but nothing that could be called economic development occurred until after the Germans claimed the territory in 1884. They introduced sisal, coffee, tea, cotton and rubber grown on estates but did not encourage small-holder cultivation of cash crops.

Following World War I, the United Kingdom received a mandate to administer the country. Crop production expanded gradually between the wars, but little new capital was invested. The Second World War brought a spurt of production of cash crops and food stuffs, and primary production continued to expand at a healthy rate after the War. From 1948 to 1963, only six countries expanded crop output at better than a 5% rate per annum, and one of them was Tanganyika.

At Independence, in December, 1961, Tanganyika had a population of around 9.5 million and a gross national product of around 103 million pounds sterling, of which 53% came from agriculture. Only 480 of its African citizens had completed secondary school, and less than 100 were university graduates.

Shortly before Independence, the World Bank issued an analysis of the country's development potential which had a major impact on President Nyerere and his Government. While noting the admirable rate of increase in agricultural production over

the previous 15 years, the Bank report found the increase to be largely due to expanded acreage and warned that this expansion could not be sustained with traditional African farming methods. These methods would lead increasingly to depletion of soil fertility and to erosion. Instead of gradually improving these methods, the Bank report recommended a "transformation" approach with the dual aims of making more productive use of land while protecting its fertility, and of instituting the type of farming which would justify the injection of capital.

Transformation implied villagization, a gathering together of hitherto scattered rural inhabitants, which would encourage more efficient farming practices as well as permit more efficient delivery of social services. A year after Independence, a large-scale village settlement program was launched, and regional leaders began organizing settlements at a rapid rate, often with little regard for soil fertility or cropping feasibility. For many reasons, most of these ill-planned ventures quickly failed, and a Village Settlement Commission was set up to do proper planning. Sixty village settlements were to be set up with heavy capitalization beginning in 1964, but within a year it was clear that this approach, too, would fail.

Other disquieting post-independence developments included a rapid escalation of urban wages while the number employed fell by a sixth, a drop in foreign aid because of diplomatic disputes with the Germans and the British, the fall of sisal prices by 50%, and the rejection by a third of the students of the University of a national service scheme. These events contributed to the growing beliefs of Nyerere that class divisions were arising in Tanzania and that foreign sources of financial support, public or private, could not be relied upon.

The Arusha Declaration, a policy pronouncement that would shape Tanzania's development, or lack of it, for 20 years, was announced in early 1967. The Declaration stressed that there was no room for class divisions in Tanzania and set down severe limits on sources of income for party leaders, Government ministers, and civil servants down through the middle ranks. None of these could hold directorships in private companies, have more than one salary, or own houses for rent to others. Any surplus funds could only legitimately be invested in state banks for the going rate of interest.

The Declaration also included the nationalization of banks, life insurance companies and selected milling and import-export firms, and this produced the most comment at the time, but it was the limits on incentives and rewards imposed on all official Tanzanians that probably had the greater impact on the course of the country's development.

One of the more remarkable things about the Arusha Declaration was that it was articulated by the President and endorsed by the Party Executive Committee without consultation with the Government departments which would be called upon to carry it out. The economic planning process had never really achieved influence in Tanzania, as it had in Kenya, and the absence of economic analysis in policy making was never more clearly demonstrated than in the proclamations at Arusha.

Tanzania was less favored than Kenya from the start. It came to independence with a per capita income only half that of Kenya, with but a fraction of the trained manpower and with a much less developed set of institutions. The common market and common service arrangements in the colonial era had generally favored Kenya in the location of industry and the siting of the head offices of the various services.

Despite differences, the governments of Kenya and Tanzania went about dealing with their economic problems in rather similar ways, initially. Each issued a rudimentary economic plan shortly after independence, and then constructed a more professional plan

soon thereafter with the assistance of economic advisors.

In Tanzania, the 1964 Five Year Plan, which superseded the initial three year plan, was a good technical document but in less than a year its projections had been seriously distorted by the international economic forces mentioned above. The advisors who had worked on the plan departed shortly after its completion, so no revision was forthcoming, and clear diagnoses of the economic problems were delayed.

The planning process was revived in the period 1967 to 1969 while the second five-year plan was being prepared. Even though planners were not consulted in the drafting of the Arusha Declaration, the Ministry of Development Planning (DevPlan) had the major task of working through the macro-economic implications of the sharp policy shifts announced, and was instrumental in helping other ministries reshape their plans to meet the new conditions.

During this period, DevPlan built up to a total of 16 competent economists, all supplied through foreign assistance. It was Tanzanian policy to avoid becoming overly dependent upon a single donor, and at one point advisors from 13 countries were working on the plan. A number of these advisors were concerned about the absence of Tanzanian counterparts, but at the time Government's interest in training economists was curiously low.

Then in 1971, the Party issued an important policy statement, called Mwongozo, which sought to decentralize decision making from the center to regions, and to emphasize social and political objectives over economic ones. In part this policy reflected the Party's interest in lessening the influence of the foreigners in DevPlan, and speeches attacked the notion that outsiders could successfully plan for the accomplishment of Tanzanian aspirations, most of which they could not understand. In part, as well, Mwongozo reflected Nyerere's strong conviction that the people must be more directly involved in shaping the decisions which affect their lives.

In any case, Mwongozo, and the decentralization plan drawn up by an American management consulting firm, spelled the end of any real influence of DevPlan, and in 1976 it was merged with the Ministry of Finance. The villagization program, decentralization, and the tendency to favor social and political objectives over economic ones reduced the usefulness of the economists' tools, and the almost exclusively expatriate tinge to the planning process led to its early demise.

One other important element must be added to this mosaic of the historical context for improving economic policy capacity in Tanzania. This element is the Tanzanian, or more precisely, the Mwalimu's, the Teacher's, definition of African socialism. All three East African states proclaimed themselves to be African socialists, but their definitions of the term diverge widely. Nyerere's definition can't be captured in a single quotation, but the following excerpt from a speech he made in 1968 contains an argument still of concern to policy makers on the continent:

"The choice is between foreign private ownership on the one hand and collective ownership on the other. A capitalist economy means a foreign controlled economy. The only way in which national control of the economy can be achieved is through the economic institutions of socialism."

Disillusionment with the economic institutions of socialism is by now, in Tanzania, fairly complete. But the concern over foreign economic control, or undue control by an indigenous group, is likely to remain and affect the policy context for some time to come.

Tanzania's economic difficulties in the 1970s and 1980s cannot, of course, be ascribed entirely to domestic economic and social policy choices. The oil price shocks of the 1970s were heavy on Tanzania, as on other African countries. A border war with Uganda led to sharp increases in defense spending. A decade of bad weather forced the massive importation of foodstuffs in the mid-70s.

The economy scraped bottom through much of the 1980s. A rural population never far from subsistence levels was perhaps less adversely affected than it would have been had production and consumption levels been higher initially, but any structure or technology utilizing capital has tended to deteriorate. Tanzania, after proclaiming self-reliance as one of its highest objectives, became one of the most dependent countries in the world on foreign assistance.

Sporadic efforts at economic recovery have been made throughout the 1980s, and some of these are beginning to bear fruit. In the early part of the decade, a National Economic Survival Program (1981) and a locally designed structural adjustment program (1982) failed to arrest the decline, in part because of a long running dispute with the IMF over conditionality.

The Economic Recovery Programs of 1986 and 1989 show more promise of success. Working closely with the Bank and the Fund now, the Government set out to increase food and export crop production, to rehabilitate physical infrastructure, to increase the rate of utilization of industrial capacity, and to restore internal and external balance by following prudent fiscal, monetary and trade policies. During the three years of ERP I, agricultural production responded well, increasing by an average of 3.9% per year, after averaging only 1% growth per year for the previous five years. Foreign exchange availability increased with rising exports and increased foreign support, but foreign exchange continues to be a major constraint on growth. In short, the economy made a modest turn around under ERP I, enough to offer hope for continued progress in the second phase of the Recovery Program.

C. CURRENT SITUATION

The economic progress of the past three years offers some encouragement to Government policy-makers that they have reached the turning point and Tanzania is on an upward trajectory. To the short term visitor, returning after years of absence, some positive factors appear which support an optimistic outlook, including the following:

1. Tanzania now has large numbers of trained people, compared with the early days of independence. Skill shortages still abound in fields like accounting, which we will discuss in more detail later, but one is more impressed with the numbers trained than with the estimates of continued need. Tanzanian training institutions have continued to perform throughout the economic crisis, although they have been desperately short of teaching materials and technology. Education and human resource development generally has always had a high place in the Mwalimu's lexicon of values, and the number of people who have received literacy and vocational training may be his most enduring legacy.
2. There is a sense of realism concerning the road ahead. In the past, Tanzanians tended to adopt a tone of moral superiority, the proud but poor syndrome, based perhaps on the high moral tone of the Mwalimu's pronouncements. Now, there is a more realistic appreciation of human motivations, seemingly complete disillusionment with the efficacy of state ownership, and an understanding of the difficulties of the road ahead.
3. Another of the Mwalimu's positive heritages appears to be personal honesty and the integrity of institutions. Dire circumstances have led to petty graft and moonlighting, *michuzi* and *miradi* as noted in the Country Development Strategy Statement (CDSS) of the

Mission, but this seems to be relatively minor, readily eliminated once the country can afford living wages. The overall impression the brief visitor gets is of hard working officials laboring against heavy odds in an extraordinarily poor and ill equipped setting. This impression might disappear on closer inspection; after all, our interviews were with high level people, but the time warp sensation is there, reminiscent of the age when life was simpler and problems more manageable.

Against this rosy vista, a few lingering clouds remain. The CCM is still a powerful force, and it isn't clear that the ideological orientation of the Party will automatically change with the change in leadership from Nyerere to Mwinyi in August. The position of the Party relative to The Planning Commission, and to the Cabinet and the Parliament, shown in Figure 1 is taken from an official publication "Profile of the Planning Commission of the Union Government," issued by the President's Office in July, 1989. The diagram is more eloquent than words in portraying the pre-eminent position of the Party, at least as it was a year ago.

Apart from ideological rigidity, the level of understanding of economics among Party officials and some senior government officials is limited. The Economic Research Bureau (ERB) and the Faculty of Economics at the University of Dar es Salaam (UDSM) hold an annual workshop on economic issues which is attended by many senior officials. This very valuable event was supported last year by USAID; more informative and educational activities of this sort would be useful.

Ideological bias and economic naivete add to the negative potential of a third factor, the strong inclination of Tanzanians to want to shape their own solutions. Tanzania has always proudly carved its own path, even when the path led to increased economic dependency, and Self Reliance is right up there with Socialism as a national priority. The David and Goliath struggle Tanzania had with the Fund and the Bank in the early 1980s is an example of their principled defiance of external forces. Admirable as this trait is, its exercise in the past has been costly and may be again if the technocrats in Government lose sway.

Another cloud lurking on the horizon concerns ethnicity and free enterprise. At independence, the retail distribution system of the country was largely in the hands of Asian shopkeepers. They were greatly resented, despite studies which showed them to be very low-cost distributors, and in time were squeezed out. To some extent, they have been replaced in the retail business by Wachagga, an energetic tribal group from the slopes of Kilimanjaro. If the country turns increasingly to free enterprise, as the senior people in Finance and Planning seem determined to do, ethnic resentment may rise again against the Asians, or the Chaggas, or whoever seems to do well from the system.

D. STRUCTURE OF ECONOMIC DECISION MAKING IN THE GOVERNMENT

1. Executive Decision-Making. The role of the Party in setting Government policy has already been mentioned. One senior official said that Government officials have not been expected to use any analytical skills they may have had; they have been charged only with carrying out decisions from above. That, he indicated, was now changing, and would change further once the leadership of Party and Government is again unified.

Even if the Government assumes more economic decision-making power, at the ministerial level economic sophistication is quite limited. A senior economist from UDSM serves as economic advisor to the President, which may account in part for the positive movement visible in the overall policy framework of the country. For day to day decisions, however, ministers with limited economics backgrounds can misinterpret analytical papers from staff and may give unbalanced attention to selected aspects of comprehensive reports.

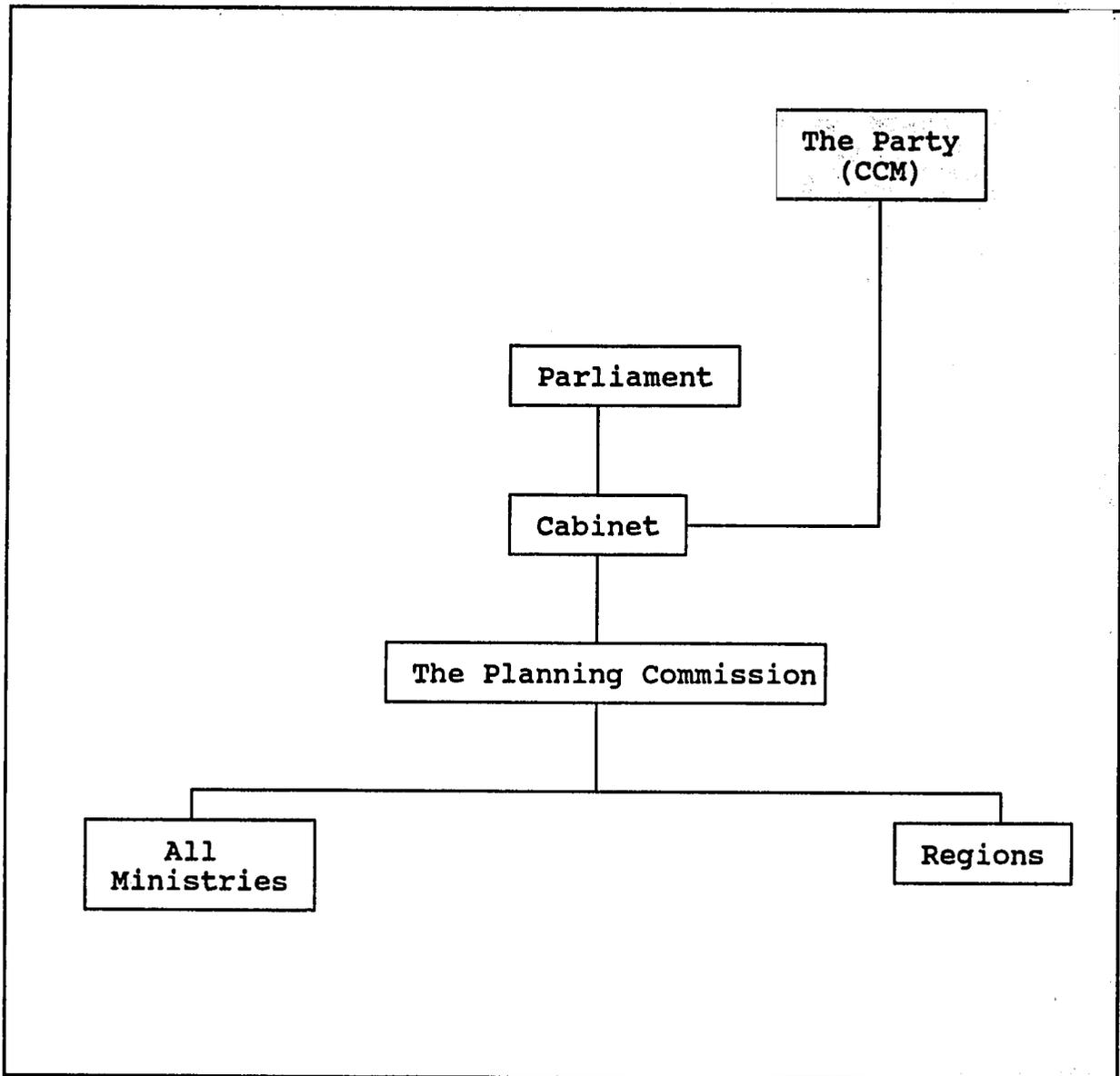


Figure 1. Position of the Planning Commission Relative to Other Organs on Matters of Planning and Economic Management

The World Bank office in Dar es Salaam has sponsored seminars to explore with senior policy-makers their vision of long term national objectives in the context of the Bank report *Sub-Saharan Africa: Crisis and Prospects*. The annual workshop on economic policy issues sponsored by UDSM is also very valuable in helping policy makers understand economic issues, and their participation in the events has been commendable. In addition, the UNDP is mounting a program called SAATA, Strategic Adjustment Advice and Training for Africa, designed to assist countries to analyze their own problems and to negotiate effectively with major economic institutions such as the World Bank and the IMF.

The Principal Secretaries meet regularly as an Interministerial Technical Committee under the leadership of the Principal Secretary in the President's Office. This is a useful intermediary group between the technical people in Government and the political leaders.

An *ad hoc* group of technical people from the ministries concerned prepares for negotiations with missions from the World Bank and IMF, and then seeks to inform the political leaders of the issues.

2. The Planning Commission. The economic planning function was taken out of the Ministry of Finance and vested in a Planning Commission in July, 1989. The "Profile" of the new Commission issued by the President's office acknowledged some fundamental weaknesses of past approaches to planning. Development plans have mainly been project lists submitted by implementing agencies interested in pursuing their separate objectives. Inter-sectoral linkages were not examined, impact on foreign exchange was often ignored, and only pre-project planning was undertaken. Economic activities already under way were not part of the planning process. Such problems as the under utilization of industrial capacity and the shortage of crop haulage vehicles were not part of planning, but were dealt with through "crisis management."

The Planning Commission is an independent department of Government under the Office of the President. It is the highest advisory body to the Government and has broad powers, on paper, relating to the planning and management of the economy. The Commission has eight members, including the President, who is the Chairman. Four of the other seven members are full time, and three, including the Minister for Finance, are part time.

A Secretariat serves the Commission. Significantly, the manpower planning function, which had been removed from Finance and placed in the Ministry of Labor and Manpower Development when Finance and Planning were previously united, again is part of the planning operation. Manpower planning has historically had unusual prominence in Tanzania, and continues to issue remarkably comprehensive annual manpower reports to the President which critically evaluate training institutions. The reports are quite current; unfortunately a backlog at the Government Printing Office has had the result that the 1987 report is the most recent published. The structure of the Secretariat is shown in Figure 2.

It is too early, after only one year, to be confident of the Planning Commission's ability to exercise its powers vis-a-vis the Ministry of Finance and the sectoral ministries.

3. Department of Statistics. Tanzania has a surprisingly strong statistical department, called Takwimu, although delays at the Government printer mean published reports are available only a year or more after they are completed.

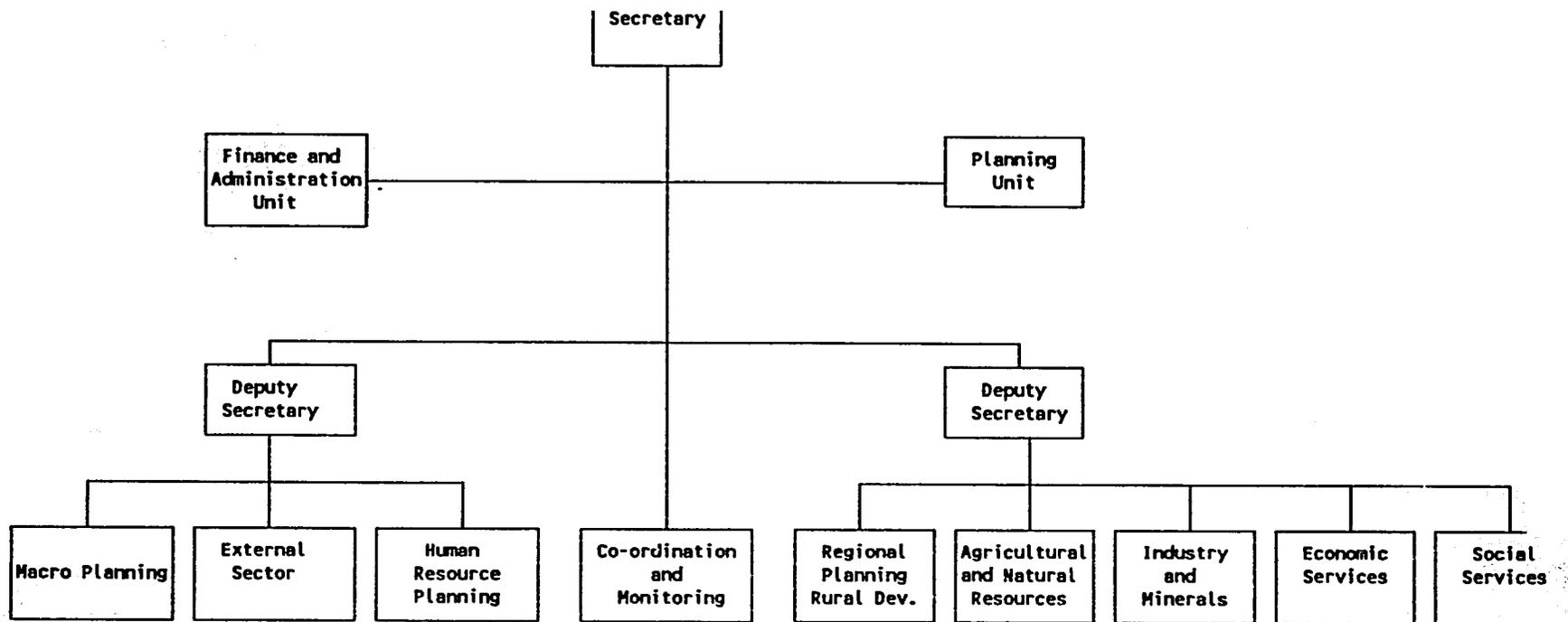
Takwimu has 40 staff members with a BA or above, of which six are female. Five staff have post graduate diplomas in statistics and four, including one female, have MA degrees. One person has a PhD. There are seven professional staff vacancies.

Consumer price indices are produced quarterly in the main urban centers. Income surveys are done twice a year and a survey is made annually of employment in both public and private sectors. A labor force survey will be conducted this year in cooperation with the Ministry of Labor. Industrial statistics are available for 1989, but published only for 1988. National accounts are available provisionally through 1989, but firm figures only until 1987.

In agriculture, production sample surveys began in 1985-86 and an agricultural census is planned for 1992-93. Two other sources of agricultural data are the Marketing Development Board and the Extension Department in the Ministry of Agriculture. In addition, the Party often gathers its own agricultural statistics, and frequently none of these data sources agree.

The Government of Sweden, through SIDA, has assisted Takwimu since 1982,

Figure 2. Structure of the Commision's Secretariat



beginning with training for regional officers. A three month crash training course for regional staff was followed by a three year program at Uppsala. SIDA provided vehicles and motor bikes to regional offices and sent section heads from Takwimu to Sweden and elsewhere are study tours.

The second stage of Takwimu/SIDA cooperation involved the initiation of the agricultural sample survey. Swedish students and consultants worked on various aspects of the survey. They also helped establish the quarterly survey of industrial production.

SIDA assisted greatly in data processing by supplying micro computers and training Takwimu staff in their use. They are also training people in desk-top publishing in order to overcome the delays of the Government printer.

SIDA is currently seeking to assist the Ministry of Agriculture in gathering agricultural data so that the differences between the Ministry and Takwimu reports can be reconciled.

Sweden also provides assistance in the statistical field to the East African Statistics Center at UDSM, a regional center with support from the Economic Commission for Africa (ECA), the Directorate of Civil Aviation, and the Customs Department. SIDA is also active in the statistics field in Zimbabwe and Lesotho.

Despite this favorable record of building statistical capacity, two factors suggest that the improved system may not be well meshed with the policy making process. The first is that no macro-economists are assigned to Takwimu, a lack commented upon by two senior people outside of the department. Secondly, Takwimu has little information about how its reports are used. No feedback has been received from the Planning Commission, for example, nor is the department aware of who uses agricultural data and for what purposes. Many requests are received for cost of living data, and the cooperation of Takwimu with the Ministry of Labor in conducting the labor force survey increases the chances that the data will be gathered and presented in a form useful to the main consumer, but for other statistical series one has the impression that Takwimu is acting on faith.

4. Points of Economic Analysis in Government. The Ministry of Finance and the Planning Commission, two organizations where one would expect to find the most analytical competence in Government, have little staff capacity able to conduct studies. Both have high quality leadership in line positions, people with the training and experience to undertake analytical studies if they had the time to do so, but they are forced to turn outside the Government to the University to have studies conducted.

The macro-economics staff in the Planning Commission has 21 economists, of whom three are women, but most of them are trained only to the BA level and they are unable to conduct advanced research independently. The Commission is now encouraging its staff to participate in collaborative studies with university people, and allowing them to receive extra compensation for doing so, but until more trained people are available, the net result is likely to be meager.

Even the process of defining research tasks can be time consuming. One official in Planning said it takes six months to formulate a good proposal, given the pressures of day to day work confronting him. Planning has, nevertheless, stimulated studies in the fields of data management, transport and taxation, and cooperated with the staff of the World Bank in defining many others.

Outside of Finance and Planning, there are two offices with analytical competence: the Economic Research Department of the Central Bank and the Marketing Development

Board in the Ministry of Agriculture.

a. *Economic Research Department of the Central Bank.* The Economic Research Department is headed by an economist, Dr. Charles S. Kimei, who was trained at UDSM and Uppsala. He is an Honorary Fellow of the Department of Economics at Uppsala.

The Department has 32 economists, and plans to expand to 48. Twelve have MA degrees, seven of them from Williams College. Altogether, the Central Bank employs 118 economists, two of whom are PhDs.

Each year, the Central Bank analyzes exchange rates. UDSM people are sometimes invited to participate in the exercise, but generally the two or three economists equipped to do so are already heavily committed to other activities. This year, a visiting scholar from the University of Pennsylvania, based at UDSM, was very helpful in the exchange rate study.

Relations between the Central Bank and the economists at UDSM are good, and Dr. Kimei plays an active role in the annual workshop on economic policy held at the University. Dr. Kimei does feel that even closer relations between the University, the Bank, and key economic organs of Government would be beneficial.

The Bank has initiated studies of domestic savings mobilization, clove production in Zanzibar, and a Zanzibari importing agency. The studies are generally operational in nature and not released to the public. Recommendations are made to ministers and the President.

The Bank employs simple models in some of its studies, but Dr. Kimei is quite clear about the kinds of macro-economic skills he finds appropriate to Tanzania's needs, and they do not include general equilibrium modeling.

b. *Marketing Development Board, Ministry of Agriculture.* The MDB is responsible for research on responses of farmers to price changes, forecasting returns from agricultural exports, and recommending prices for marketing agricultural commodities. The Director, Mr. T. Banda believes the economic management problem has two major components: the ability to do the analysis and the ability to present recommendations effectively. The recipient of the analysis must have a grasp of economic concepts in order to comprehend the analysis and its implications. MDB is able to generate good analyses and recommendations, but communication of the import of their work is often a problem. Their work is well received and understood at the technical levels, including the IMTC (the Principal Secretaries). At the cabinet level, however, there can be misunderstandings of the results of their analyses, decisions may be made on issues incidental to the analysis, or they may be delayed until small problems develop into big ones.

Food policy continues to be a central issue for Tanzania and for the MDB. While the 80's were characterized by scarcity, now there is a maize surplus. Whether this surplus is likely to endure or whether Tanzania will become, like Zimbabwe, a country in surplus nationally, but with serious food gaps at the household level, are serious questions beyond the unit's present mandate. To focus more effective analytical efforts on these and related food security issues, a new Food Security Unit will be set up in the Ministry. Its core will be the present MDB, but it will incorporate several other smaller units in Agriculture as well.

Mr. Banda recently attended a regional food security meeting in Harare sponsored by Michigan State University and had high praise for the benefits of being linked to a network of people sharing a common problem focus. He noted particularly the complexity of factors bearing on food security and the difficulty of capturing these in an analysis.

What, for example, are the conditions for the market mechanism to function or not to function? He said removing taxes on agriculture did not seem to affect production much, but interest rate reform and more realistic foreign exchange rates, led to production increases.

He stressed the difficulty of presenting these complex issues to top level decision makers in a form that an economic lay person could understand. He suggested a need for explainers or translators between those designing policy options and those making the decisions.

On the staff of MDB are 11 persons with masters degrees in agricultural economics. Nine of these received their advanced training on FAO fellowships. Most staff have been trained in the UK, but the Director is keen to diversify backgrounds by sending more to American institutions. The unit had one PhD staff member, but he left to take a job in a private consulting firm.

Director Banda stressed the need for staff to have a solid grounding in economic theory. Most of his staff comes from the UDSM; graduates of the agricultural university, Sokoine University in Morogoro, do not have enough of a theoretical foundation to be effective analysts. After a year at MDB, new staff are sent abroad for master's training in agricultural economics on FAO or other project funding. The Director also encourages staff to attend short courses on agricultural policy analysis which attempt to link theory with practice.

In addition to the MSU food security project, he noted a new regional project in agricultural marketing that he saw as potentially very useful. Conceived by FAO and funded by Japan, (about \$3 million) it will be centered at the University of Zimbabwe and will involve Malawi, Kenya, Zimbabwe and Tanzania. Among other things, it will support substantial training opportunities.

Mr. Banda, like the leadership of IFM, attends closely to issues affecting staff retention despite low government salaries. At the "mechanical level" MDP provides staff transport, computing facilities, air conditioning, and comfortable work space. Substantively, he has a well-defined work program, so that people know in advance what will be expected of them. They get extensive feedback on their work. Financially, there are some extra office consultancy opportunities and the Director is seeking some donor funds for salary topping for staff working on particular projects.

A shortage of physical space for staff is the main reason for MDB being below complement. This and other resource problems may be overcome if the Food Security Unit comes into being. It would involve large funding from FAO, the Dutch, EEC, World Bank and UNDP, and have a major focus on women and food security at the household level. (The Carter Center in Atlanta also has expressed interest in the household food security/women's welfare nexus.)

Overall, MDB appears to be a relatively strong analytical unit with substantial further potential. Despite low government salaries, it appears to have found ways to motivate and retain staff at the masters degree level.

E. SOURCES OF ECONOMIC ANALYSIS OUTSIDE OF GOVERNMENT

1. The Faculty of Economics and the Economic Research Bureau at UDSM are the main sources of external economic analysis relied upon by the Government. Sokoine University in Morogoro has expertise on agricultural matters and there is one consulting firm in the agribusiness field. The Institute of Development Management (IDM) and the Institute of Financial Management (IFM) contribute to economic management skills, but UDSM is alone

as a source of macro-economic analysis.

The ERB was originally set up with Rockefeller Foundation assistance to conduct policy-oriented research in the context of the East African Community. Both the Community and the Foundation left the scene and for a period the ERB and the Faculty endured relatively hard times. As the result of increased demand for economic consultative services on the part of Government and donor organizations, and with increased donor assistance, conditions have improved for these units to the point where they are cited by the World Bank and others as a model for economic capacity building in other African countries.

The Faculty of Economics, according to Ian Porter, the World Bank's representative in Tanzania, is one of the best in Africa. The Faculty has twenty members now, plus five seconded to Government or other institutions, such as the African Economic Research Consortium. Twelve more economists are in the ERB. Eighteen of the 27 economists attached to these units have doctoral degrees, and four are women. The Faculty would like to expand its numbers, but it has four vacancies now which it is unable to fill.

At one time, the University College of Dar es Salaam was something of a Mecca for the more radical brand of young Western economists, but now visiting scholars are few. The Department has two visitors, a Hungarian and a Ugandan, and the ERB has an English economist supplied through Dutch assistance. The Chairman of the Department, Dr. H. K. R. Amani, indicated that the Faculty would welcome people on sabbatical or interested in doing dissertation research and willing to teach part time in return for association with the University. Government clearances for research are routine for people associated with the University, but not for independent foreign scholars.

In 1979 the Government of Sweden through SAREC began a program of assistance to ERB and the Faculty of Economics which includes degree training (discussed below), support for selected conferences, computer equipment, and occasional visiting scholars. Unfortunately, visiting scholars under the program are generally only interested in short stays, but the overall impact of the program has been highly positive. Other cooperating programs include DANIDA and the Danish Research Council funding for collaborative research with the Center for Development Research in Copenhagen, Dutch funding for a senior visiting economist, collaborative research links with Cornell and Michigan State Universities under AID programs, a small collaborative research program with the Food Security Group at Oxford funded by IDRC, and a major UNDP funded research project on the social dimensions of structural adjustment programs.

2. Pattern of Relationships between Government and University. Tanzania has never, since independence, repressed academic freedoms. This doesn't mean that the University has been a hotbed of criticism of Government action, even in the days of self-denial following the Arusha Declaration. Indeed, it seems as if the political coloration of the University has kept pace with changes in the Government's own orientation, but one cannot attribute this symmetry to any form of coercion.

The absence of tension between Government and the University is demonstrated by the fact that the planning committee of the ERB is chaired by the Principal Secretary of the Planning Commission, and officials from Finance, Trade, Industry, the Science Commission and the Party also are represented. In turn, ERB staff participate in Government task forces, such as one on incomes policy, and sit on statutory bodies such as the National Productivity Council, the Board of Directors of the Central Bank, and boards of various parastatal organizations.

As the Government turns gradually towards a more market-oriented economy, it requires more and more economic analysis and explanations of policy options. About three

years ago, the World Bank cut back on its practice of sending massive teams of visiting staff and consultants to Tanzania and began relying more extensively on studies produced in whole or in part by local economists. Now, virtually every economic study financed by the Bank has at least some local professional participation.

At the same time, the Bank's involvement in the economic affairs of its clients creates additional demand for local expertise. Several officials commented that Bank missions arrive staffed by economic experts from all over the world, and they sit across the table from Tanzanian officials with substantially less training and experience. The interest of these officials in receiving assistance from their university compatriots is understandably great.

Despite growing Government interest in consultations with UDSM staff, in practice the Government seeks external funding for local studies because the rates of compensation involved are considerably above the salaries it is able to pay. This can present a problem if the principal purpose of the activity is to strengthen the Government's hand in dealing with the same funders.

Despite the highly effective relationship between Government and University, there are points of stress becoming visible, and the system is very fragile. Already, the demand for consultative services is affecting teaching responsibilities, and members of the Faculty expressed concern that excessive demand could lead to an erosion of teaching quality of the University as its economists become overburdened.

In addition, the demand is not evenly felt. Some Faculty members and ERB staff are better known and in more demand than others, with the result that some may lag behind in fulfilling responsibilities while others have time to spare. Administrators have urged Government officials seeking consulting assistance to make their requests through the ERB and the Faculty, rather than contracting directly with individuals, but this practice is not always followed.

Unorganized demand can lead to a scatteration of effort, so that scholars have no clear focus for their work. In addition, despite close working relationships, many economic issues are considered sensitive by the Government, and in some cases those who draft reports on issues are barred from policy discussions of them.

Movement from University to Government and back again is possible, but infrequent. The terms of service of Government are generally not attractive to University people, and few civil servants have the qualifications sought by the University. The potential gains from increasing the ease of interchange of roles have been recognized by some, but the practical difficulties have so far kept the frequency of realization low.

The healthy relationship now existing between Government and University is demonstrated by the fact that attrition from the ERB and the Faculty of Economics is practically nil, in contrast to a reported 14% annual departure rate for people in other disciplines. The danger in the present situation lies in the possibility that demand for economic expertise may rise so much faster than its supply that well qualified people find it more rewarding to set up their own consulting firms rather than remain in either the University or the Government. In some countries, an overheated demand situation, donor-fueled, leads to kickback requests from civil servants envious of the lucrative nature of consulting assignments they were able to dispose of. The erosion of both university and government quality can occur relatively quickly.

So far, consulting rates are not exorbitant, unless compared with the monthly salaries paid by the University. The Bank has set limits to compensation which are attractive compared with base salary, but not enough to cause people to scrap their regular

employment and set up shop as consultants.

3. Role of Donors in Providing Policy Advice. We have already noted that the World Bank finances many of the studies done for Government by staff from the ERB or the Faculty of Economics. The Bank's resident staff also plays a major role in promoting the discussion of policy issues among senior Government officials. Following publication of the Bank's recent report on Africa, *Sub-Saharan Africa: Crisis and Prospects*, Ian Porter has stimulated and participated in discussion of long term policy objectives, seeking to extend the time horizon of the policy process. A workshop held in March featured the exposition of longer term objectives drawn up by each department of the Planning Commission. The workshop, in which the Bank participated, drew up an agenda of long range research topics for which donor support is being sought. The Bank staff also assisted in the preparation of Tanzania's paper for a conference on long term development objectives in Africa held in July in Holland.

The UNDP office in Dar es Salaam also assists the Government at the policy level. A senior UNDP official is setting up an office in Harare to assist African governments in drawing up their own structural adjustment program. The project is called SAATA, Strategic Adjustment Advice and Training for Africa. Two missions headed by the project director, Dr. King, have already visited Tanzania. The program targets three levels -- technical, principal secretary, and ministerial -- in order to ensure full understanding of the implications of technical structural adjustments.

Another aspect of the structural adjustment process of concern to the UNDP is reflected in a newly approved project on the Social Dimensions of Adjustment (SDA). Research funded under this project, through the ERB, concentrates on examining the impact of structural adjustment policies on vulnerable groups in the society, such as women and children. Actually, the ERB began research on SDA issues at the time of the first Economic Recovery Program in 1986, well before international funding was available to support it.

The UNDP also works on economic management problems through the Management Development Program. This is a special fund, outside the regular three-year country budget, created to address management problems in African and other countries. The initial MDP mission to Tanzania was headed by the Swedish Minister for Public Administration, a person with extensive professional experience in Tanzania through the Swedish assistance program. MDP is not aimed at economic policy formation, but is targeted primarily on massive problems of the country's civil service -- its size, low salary levels, an unmanageable system of benefits, and negligible motivation for productivity. MDP can devote only one to two million dollars to working on these problems, but if the strategy it devises is convincing, more resources are likely to be found from other donors.

The World Bank is making its own assessment of the problems of public sector management. The next Structural Adjustment Loan (SAL) is scheduled to deal with the industrial sector, but immediately following that, perhaps two years from now, the Bank plans an SAL devoted to public management problems such as tax administration, the budgetary process, civil service reform and parastatal restructuring. As the structural adjustment program goes forward, it descends from the area of broad macro-economic policy shifts, which are likely to be popular, at least initially, to the more difficult arena of curtailing the size and perquisites of the civil service, where political consensus may be more elusive.

The World Bank and the UNDP are thus playing useful and influential roles in the policy environment of Tanzania, but perhaps the most striking aspect of the situation concerns what they are not doing. Expatriate advisors or officials are to be found nowhere in the upper reaches of the Tanzanian Government. In this important sense, the Self-

Reliance objective of the Mwalimu has been met. Whatever the mistakes of economic policy over recent years, they are of local design.

F. TRAINING PRIORITIES

1. Macro-economics. The Government officials and University administrators interviewed were remarkably consistent in their assessment of priority training needs. Training in macro-economics is greatly in demand. The particular skill needs cited included the ability to calculate effective exchange rates and effective rates of protection, proficiency in forecasting Government revenue flows and expenditures, public investment programming, and fiscal and monetary policy analysis.

Three levels of training and familiarization are needed. For senior people in Government, familiarization with macro-economic concepts is essential, particularly the awareness of the ways in which policies governing given sectors of the economy impact on other sectors.

Government staff dealing with financial policies, planning, exchange rate management, trade policies, agricultural pricing, etc., need to be able to carry out macroeconomic calculations. A number of officials said that staff have forgotten what training they have had and need re-tooling short courses. Others favored masters degree programs, such as those at Williams and Vanderbilt, for gaining a theoretical grounding on which to base the computational skills. Several senior people mentioned that even university staff can benefit from short courses which relate theory to practical exercises, much in the way that law school graduates need to study the practical dimensions of their trade in order to pass the bar exam.

Doctoral training is needed primarily by staff at the ERB and the Faculty of Economics. Leaders of research centers in Government, such as at the Central Bank, the Marketing Development Bureau, and those offices of the Planning Commission and the Ministry of Finance that deal with economic strategy also benefit from doctoral training, but for the most part, solid masters degrees in development economics are probably the best investment for Tanzanian Government staff.

2. Economic Management Skills. Management, accountancy, banking and statistics training are also in demand, but less urgently than macroeconomics. Time limitations precluded a thorough examination of training needs in these fields, but we made calls on the Institute of Financial Management, the National Board of Auditors and Accountants, and the Department of Statistics, which provided some insights into the availability of these skills.

In accounting, for example, 8,000 technicians have been trained, but the need is estimated to be 23,000. For fully trained professionals, a similar ratio prevails: 845 trained, but 3,000 needed. The fact that only 9 of the 845 fully qualified professionals work for the Government may be more disquieting than the shortage of absolute numbers. The terms of service of civil service employment may be a considerable obstacle to improved economic management, considering the important role Government has in the economy.

Training in accounting is offered at the IMF in Dar es Salaam, the IDM in Morogoro, the Nyezezi Social Training Institute in Mwanza, and the Institute of Accountants in Arusha. Only the Arusha Institute, which recently opened, offers full professional qualification.

The IFM was established in 1972 to provide training in banking and finance. It has since broadened its offerings to include accounting, financial management, social security administration and taxation. At present, a third of its 700 students are in accounting.

Demand for computer courses has begun to rise sharply, and is expected to continue to increase as more computers are imported under liberalized regulations.

The IFM is a parastatal organization, as are most institutes and colleges. Four years ago it had a 23.3 percent staff vacancy rate. According to the Annual Manpower Report to the President of 1987, there was no solution in sight to the exodus of trained manpower from IFM and similar training institutions unless they were given enough leeway in terms of salary and fringe benefits to compete with their "arch-rivals," the private companies and prestigious parastatals. Somewhat surprisingly, this recommendation has been implemented, and the results are as the Manpower Report predicted. The IFM has more applicants for positions than it can fill, and the departure rate for staff has fallen sharply off.

The IFM incentive scheme is simple: minimal teaching hours for each level of staff, from six to ten hours per week, with extra teaching hours rewarded at a good rate. The Institute divides short course fees between the instructor (50%), the course designer (20%) and the staff welfare fund (30%). Consulting fees, charged to clients at 6000 shs per day, are divided evenly between consultant and the Institute. Staff receive housing and transportation to work, two important fringe benefits. Teaching staff are permitted to earn as much as the Principal of the Institute without shifting from teaching to administration.

The IFM has this kind of flexibility, while other parastatal institutes do not, because it earns virtually all its income and requires only a negligible subsidy from Government.

The IFM accepts foreign students, and has a high reputation among donor organizations in the regions for the quality of instruction offered.

3. Computer Training as a Strategy for Developing Analysis. Many of those we interviewed commented on the great need for computer training at all levels. Until recently, personal computers were seen as an inappropriate technology for Tanzania in most of their common applications, because of their labor displacing potential. Importation was difficult and expensive, and their use strongly discouraged. In 1990, however, this policy was completely reversed, and computers now may be imported without restrictions. It appears likely that there will be a rapid increase in personal computers both through their inclusion in donor funded projects and commercial importation.

Since many people are eager to learn computer skills, the introduction of computers can serve to teach appropriate administrative and analytical skills at the same time. For example, Lotus 123 skills can be learned in the context of how to deflate a price index. Learning project management software can help to teach project management skills. Learning to use a graphics package helps to develop skills of graphical analysis, helps people to visualize trends and relationships among variables that are not obvious in looking at tabular material. That Tanzanians' desire to learn computer skills can be an important incentive and opportunity to build managerial and analytical skills. Skills in how to run computer programs should be recognized and incorporated in the design of capacity building projects.

4. Training in Computer Systems Design and Management. In terms of training in computer operations, such as instruction in MS/DOS, Lotus 123, etc., there are enough knowledge, organizational interest, and entrepreneurial skills for suitable training programs to emerge relatively spontaneously. IFM, for example, already is offering a range of computer training courses. However, as computers are introduced to large institutions, the skills most critically missing are those pertaining to overall systems design. As institutions seek to replace outdated reporting and administrative systems with

organization-wide computerized management information and analysis systems, high levels of systems analytical skills will be needed. One example cited was shifting the whole social security payments system from a manual one to a computerized one. Such transitions cannot be designed and managed by people trained only in Lotus 123 and Word Perfect workshops. Thus one aspect of capacity building is helping some high level managers to develop a strategic perspective on the introduction of computers to their organizations and then training technical experts in such topics as system design and integration.

As an overall observation on Tanzania's situation vis-a-vis computers, coming late to "the computer revolution" is not without its advantages. Tanzania has virtually no installed base of obsolescent equipment with which new purchases must be compatible. Like Germany after the destruction of her industry, Tanzania could start with a relatively clean slate, avoiding older generations of computer hardware and software. Capturing this potential advantage will require well informed leadership to make sure that the computerization of Tanzania's major organizations takes place in a systematic and sensible manner. A high priority in the capacity building enterprise is provision to help develop the local capability to lead such a transformation.

Much of the difference between the current generation of personal computer software and the last generation is manifest in improved ease of use, especially the graphic user interfaces. Potential advisors may have a personal investment in past systems, and the tendency to impose them on Tanzania must be strongly resisted. Having no earlier generations of hardware and software with which one must remain compatible gives Tanzania a great opportunity to play technological leap-frog directly to systems more powerful, yet easier to learn and use than the installed base of most of the rest of the world. It would be too bad to forfeit this opportunity by rushing to import the very systems the rest of the world is just beginning to leave behind.

With its comparative advantage in systems design and software integration, the US would seem a natural source of appropriate expertise in this dimension of capacity building. However, great care should be taken to assure that the current "clean slate" is written on with sensitivity to local needs and conditions, but also with full knowledge of today's and tomorrow's technological possibilities.

5. Women in Development. Our interviews included questions relating to the gender of the analytical staffs and individuals in the training pipeline, and more importantly, how the issue of gender was taken into account in the analyses themselves. Virtually all of the institutions where we conducted interviews had capable women economists on their staffs, but generally in relatively low numbers (four of 32 at the Bank of Tanzania, three of 18 at the Economic Research Bureau). A look at the training pipeline suggests that it will not be easy to expand these numbers rapidly. For example, the undergraduate economics program at the university includes relatively few women, around 10%. The problem seems to stem from lack of earlier training in quantitative skills which still seem to be relatively stereotyped as a male domain. However, there are two strong candidates in the Ph.D. program at Lund coming back to the University and the IFM reports a number of qualified women awaiting graduate training opportunities for which there is no sponsor available at the moment.

AID has been making a special effort to recruit women in its merit-based training program. Although the percentage of women applying is substantially below the percentage of men applicants, there were enough strong women candidates that half of this year's participants are women. SIDA, as well as USAID, has a longstanding interest in encouraging women professionals, and a substantial part of the SIDA training funds are earmarked for women.

In terms of analysis of the gender effects of various macro-economic policies,

Professor Mbilinyi of the University's IDS (Institute for Development Studies) is preparing a paper on macro-economic policy and women. This is not yet available, but should shed useful light on the subject.

When we pursued these gender issues in the Planning Commission, it was clear that whatever their views on the subject, "We are forced to take account of gender issues in all policy discussions." Clearly the donors are making a marked impact here. Moreover, the Commission appears receptive to including women's concerns in the policy agenda. "We say to the representatives of women's interests, 'Bring us your agenda and we will incorporate it.'"

The general policy atmosphere appears hospitable to changes designed to remove gender discriminatory policies and to create more opportunities for women. However, from our interviews it appeared that the agenda for such policy changes is not yet well developed.

6. Business School Training. We were not charged with exploring the potential for MBA training in Africa, but the idea was persuasively proposed to us in both Botswana and Nairobi, so we mentioned it as a possible option to several officials. It seems significant that some of the most senior officials concerned with policy were most heartily in favor of the idea, and thought Tanzania would be an ideal location for it. They said Tanzania is the African country most convinced of the merits of the private enterprise system because "we learned the hard way."

Another aspect of their interest in the business school concept is the feeling expressed more than once that the Asian community has been the main beneficiary of the Arusha Declaration. The private sector, said one, was left to the Asians because of the restrictions on the behavior of Africans mandated by the Declaration. The implication of the discussion was that for the shift to private enterprise to be accomplished smoothly, Africa entrepreneurs must be enabled to participate on a level playing field.

G. SUPPLY OF ECONOMIC ANALYSTS

In contrast to the surging demand for economic analysis, the supply is expanding only slowly. Retention rates of capable people in both Government and the University, however, appear to be high.

1. Staffing of Government Offices. At one time, Tanzania adopted the idea of an economic service in which trained analysts could attain compensation and rank commensurate with their skills without becoming line administrators. The decentralization program in the 1970s led to the neglect of this concept. Government has decided to rebuild an economic service, according to the Deputy Principal Secretary of Planning, and is now taking an inventory of existing skills.

Most training of Planning Commission staff abroad must be financed by donors. The Social Dimensions of Adjustment project recently approved by the UNDP contains some training money for Planning Commission staff. The heads of all the departments in the Commission Secretariat have formed themselves into a Training Committee, recognizing the central importance of upgrading their own staff, but the needs far exceed likely resources. For the next three years, the training plan of the Planning Commission cites the need for sponsorship of 35 masters degree candidates and over 130 person months of short courses.

Despite recognition of the priority of training needs, a personnel officer of the Commission discouraged staff from applying for the USAID competitive training program. He felt the competition was too tough for too few places.

The Research Department of the Central Bank, as noted above, currently employs 32 economists and plans to expand soon to 48. Over half of the 12 masters degree holders in the Department received their degrees from Williams College, but funding for attendance in this program has dried up and the Bank has been unable to send anyone in the past two years.

The MDB does not seem to be in particular need of additional funds for graduate training, in contrast to the rest of the Government. FAO projects have provided masters degree training for most staff in the past, and the new Japanese-financed FAO project promises to continue to provide appropriate opportunities. It is probably unwise for MDB to sponsor doctors degree training. It would have difficulty retaining staff once they had PhDs and masters training plus applied workshops should adequately equip staff for their jobs.

The Government is now permitting employees to join with outside consultants to conduct commissioned studies, and to receive extra compensation for their efforts. In practice, Government people are at a substantial disadvantage because of their lack of training and equipment. When it was allowed to bring in computers for carefully designed purposes, such as research, the University acquired impressively up to date hardware with funds from SIDA and other cooperating external agencies. Government, however, stuck to pencil sharpeners.

In June of this year, the quarantine of the computer quietly ended and free importation of hardware was permitted. The demand for computer courses at the College of Business Education, the Institute of Financial Management, and other training facilities is already on its way up, but Government employees are likely to be in the back of the queue behind the private sector and parastatals as the machines become more available.

2. Staffing of ERB and the Faculty of Economics. The Faculty of Economics at UDSM is the main source of supply for economic analysts. About a hundred students are admitted to the Faculty each year, and support courses in economic principles are offered for another 150 students taking management and commerce courses. At the masters degree level, five to ten candidates are admitted each year to an 18 to 24 month program, of which 9 months are devoted to course work and the balance to the production of a thesis. The Faculty seeks to select outstanding students from the MA program for retention, and to enrol them in a PhD program, generally in cooperation with Swedish universities, as soon thereafter as possible.

The system has not suffered from uncontrolled expansion, unlike some African countries. The University has had between three and four thousand students for a number of years. Moreover, the Government stopped expanding secondary school places several years ago, and actively discouraged the growth of private schools, although they have expanded anyway. The quality of secondary schools may have declined in the past decade or two, although this was not possible to determine. The national examinations council still uses the Cambridge system of setting O level and A level exams, but opinions differ on whether Cambridge standards have been maintained.

In the past four or five years, the Faculty has not identified outstanding MA candidates from undergraduate ranks whom it wished to add to its staff. Most candidates for the MA have come from Government, and they are bonded to return to their employment. Only one candidate has been attracted to the Faculty in four years.

Despite the lack of recent intake to the Faculty, and to the ERB, there remains a backlog of candidates for PhD training. UDSM has a SIDA-funded arrangement with Swedish universities, coordinated by the University of Lund, under which two candidates

per year can begin course work in Sweden. After two years of courses, the candidates select their thesis topics with the guidance of a Swedish professor, and return to Tanzania for field research. In Tanzania, the candidates also receive guidance from a local professor. The degree, once earned, is from UDSM.

This system has been of immense help to Tanzania, and is the main channel for the production of doctoral degrees in economics. It is a rigorous channel, more difficult than other PhD programs at UDSM. In other Faculties, course work is not required and the time taken to achieve the degree is far less than in economics. Some candidates for the sandwich degree have taken ten years without as yet achieving their goal.

The Faculty would welcome and would benefit from visiting scholars willing to teach, and to participate in research and the preparation of manuscripts for publication. Staff housing and office space are, however, in short supply.

H. POLICY IMPLEMENTATION

In Tanzania, unlike Kenya and Botswana, there is general agreement that the economic policy framework, until recently, has not been conducive to growth. Assistance in building policy making capacity is therefore an appropriate focus for donor intervention. There is considerable concern within the Government over problems of the implementation of liberalization policies once they are in effect.

Motivation was cited as a key problem by senior people in both Finance and Planning. One commented that when Tanzanians go away to work for the African Development Bank, or the East African Development Bank, they do very well. The Tanzanian bureaucracy, however, does not do well, and even when people have had successful assignments abroad, they go back to the old ways when they return.

The Government is now permitting staff of the Planning Commission to work on study teams with consultants from UDSM and to receive commensurate extra compensation. This may lessen the possibility of tensions arising between Government staff and consultants in that case, but the broad problems of motivation of civil servants remains.

One Planning Commission official estimated that only 30-50% of agreed programs are implemented. The World Bank representative agreed that there are serious problems of policy implementation and investment program implementation, as well as policy formulation. The Bank plans to devote one of the structural adjustment loans in the next two years to strengthening and reforming the civil service, an arena where most donors have found it difficult to succeed. In addition, the UNDP is devoting substantial resources to the problems of the public service.

The importance and complexity of the problems of economic management and policy implementation do not lessen the profound importance of economic analysis and policy formation, but they do suggest that concerted donor action should not be too narrowly focused.

I. CONCLUSION

It is a particularly auspicious time to try to expand Tanzania's capacity for economic analysis and management. Demand for analysis is growing rapidly inside and outside of Government. The shift from decision making by party fiat to a greater reliance on research and analysis, and from a state controlled economy to one relying more on market forces, adds importance to the understanding of how these forces work, the outcomes they may generate, and the critical points where interventions or policy changes may move the economy in desirable directions. Donor organizations, some of the main

consumers of economic research and analysis, are turning increasingly to local analysts for inputs into virtually all economic research they commission.

The demand for analytical and management skills has outstripped the sources of supply. Given Tanzania's limited use of economic analysis in policy making in the past two decades, one might expect the economics faculty at the University and the ERB to be near a state of collapse. To the contrary, they are well staffed by a core of experienced and well trained senior staff supported by reasonable numbers of good juniors; there is a decent institutional base for expanding capacities.

In the long run, a large country like Tanzania needs strong economics training capabilities at both undergraduate and graduate levels. Although the University has demonstrated its ability to retain economics staff, opportunities for training new PhDs have declined sharply. Swedish universities are providing virtually the only PhD training, and that path is long and the number of places is limited. A number of qualified candidates are unable to participate.

In our view, any economics department staff member qualified for rigorous graduate training should be able to enter a program without delay. We also agree with those in the University who believe the Faculty would benefit from the diversity created through access to high quality US institutions. Although we support merit-based selection for most training opportunities, that route may be too slow and unpredictable to be of much benefit to the Faculty of Economics and the ERB.

There are a number of ways in which the use of the existing stock of analytical capabilities could be improved. Several people mentioned the gap which typically exists between economics theory courses and the practical application of economic tools in operational agencies and ministries. A few officials from the Ministries of Finance and Agriculture have benefited from short courses and workshops designed to bridge that gap, but the opportunities for such training have been too scattered to do more than impress participants with their eventual value. Conducting well designed courses on various aspects of applied economics right in the ministries where the techniques will be used would be useful and cost-effective.

The MDB and the Central Bank have succeeded in developing analytical competence in their areas of expertise. Research and analysis units could also be built in the Planning Commission and the Ministry of Finance. They need not rival the ERB in the level of staff development, but they should have a solid core of masters degree holders who receive adequate incentives to remain in analytical positions. Units of this type can improve the utilization of research done outside of Government by defining and interpreting the operational implications of the results.

The research skills of the Faculty and the ERB might also be better used if overall research themes were developed around which staff selection and training took place. Government representatives help to set research themes now, but because individual researchers are open to private arrangements with official clients and donors, the allocation of effort is suboptimal. Consideration is currently being given to organizing a quasi-governmental research facility, possibly based on the ERB, which would receive funding and direction from Government. This sort of research institute has proved useful in several Asian countries.

Problem-focused research networks have had demonstrated value in several sectors, such as the SADCC food security research network involving MSU with AID support and the AERC research network supported by the IDRC and the Rockefeller Foundation. There is scope for expansion of this sort of international cooperation in a number of economic and social policy areas. (To give an example remote from economic policy

making, AID supports a network of Third World researchers through the Applied Diarrheal Disease Research (ADDR) Project administered by HIID which builds policy-related research competence. The scope for this sort of capacity building is broad and mechanisms for supporting these activities seem adequately tested.)

The utility of analytical capabilities can also be enhanced by improving the ability of decision makers to understand research results and their practical implications. ERB conducts a valuable annual forum for policy makers, with AID support, and SAATA is structured to ensure appropriate participation in designing structural adjustments at several levels of government.

Finally, we believe that Tanzania has influence and importance in Africa that goes well beyond the recent success it has enjoyed in managing its economy. The principled foreign policy the country has pursued, and the eloquence of the Mwalimu in enunciating the country's positions, have elevated the nation to Third World leadership despite its chronic poverty.

Now Tanzania is seriously trying to reverse direction and rely on the private sector to lead in economic growth. Its progress in this endeavor will be watched closely in Africa particularly because it is not saddled with enervating corruption or political repression. Success is far from assured because, since the Arusha Declaration in 1967, the Africans in Tanzania have been inhibited in their pursuit of private gain. As one official commented, the Asians were left in control of the private sector.

Unless ways are found to stimulate and assist in the growth of indigenous entrepreneurship, it seems unlikely that Tanzania can pursue a private enterprise-oriented policy for long without encountering popular resistance. For this reason, it seems especially important for AID to consider measures to stimulate indigenous private sector development.

IV. ZAIRE

A. INTRODUCTION

Zaire confronts the World Bank's capacity-building initiative with three conditions that make efforts to improve the quality of economic analysis and management extremely difficult: low returns to education, limited demand for analytic skills in Government, given current patterns of governance, and high research costs in an environment where infrastructure has deteriorated.

The Mobutu regime, since taking power in the 1960's, has instituted policies of Zairianization and nationalization, which have resulted in the deterioration of the country's productive capacity and infrastructure, and systematically appropriated large shares of gross national product for its own use. As a result, the annual growth rate of average GNP per capita has been a negative 2.4 percent since 1965, health-care and education have not kept pace with average gains made elsewhere in Africa (life expectancy at birth is only about 50 years), the distribution network has collapsed, particularly in rural areas, and much of the economy has reverted to a subsistence survival mode or gone underground.

In 1983, under IMF pressure, Zaire began a program of economic reform. The principal features of the program included a 28 percent devaluation, liberalization of trade and revision of tariffs, lifting of price controls on most products and on interest rates, reductions in public sector employment and in the budgetary burden of parastatals, and the establishment of a floating exchange rate. The central objectives of these reforms were to boost competition and exports of agricultural and manufactured goods, while establishing a more stable macroeconomic environment. For three years Zaire made some progress in achieving these reforms.

By 1986, however, a drop in world prices for Zaire's mineral exports, declining fiscal discipline, corruption, and political pressures to reverse the trends toward economic liberalization began to overwhelm the program. Inflation picked up again, averaging about 100 percent yearly, capital flight increased, and the zaire seriously declined in value, leading to stronger exchange controls. In 1989, the stand-by agreement with the IMF deteriorated to the point where the program was stopped. In addition, the World Bank has recently suspended disbursements on its current structural adjustment loan. Moreover, there is a serious question whether Zaire qualifies for new World Bank sectoral credits under preparation.

A stalwart donor over the years, the US is also reassessing its position. Congress is currently debating a bill to channel all aid to Zaire through private voluntary organizations in order to keep aid funds away from corruption and mismanagement in official Government agencies. And there is some discussion about the need for large amounts of aid for a country that is no longer so strategic with the end of the Cold War and the decline of Apartheid in South Africa.

In this environment, it is extremely difficult to program funds for development assistance, whether it be for capacity-building of human resources or any other program. Because of policy-imposed economic distortions, the economy is not growing and rent-seeking incentives lead businessmen to spend too much time in unproductive activities. Under such conditions the returns to education and capacity-building are low. Likewise, efforts to promote private sector development will be largely ineffective or misdirected. Mismanagement, corruption, and civil service regulations and pay schemes also make it almost impossible to build capacity in public institutions -- universities, ministries, research institutes, and so on. The response of donors such as USAID and the World Bank to these problems have taken three forms:

1. Attack the problems of policy distortions, mismanagement and corruption head on, by putting tough controls and conditions on aid projects. The World Bank has taken this approach. The Bank's current problems with the Government are caused by the Mobutu regime's inability to meet conditions specified in the structural adjustment program.
2. Privatize aid programs by entering into "cash for service" contracts with institutions targeted by donor programs. An example is USAID's current program to develop the Government's statistical services by contracting with it for particular kinds of statistics and statistical analyses. Supporting private sector institutions or nongovernment organizations is intended to promote the same result.
3. Limit assistance to support of outstanding individuals to promote change or as an interim "holding action" until the political system is reformed. Sending individuals abroad for advanced training and visits is an example of this type of assistance. The creation of research networks, bringing together academics and civil servants on policy issues is another example. Generally this type of development requires small amounts of flexible funds. Unfortunately, many donors are not in a position to extend such assistance because of their rules and regulations.

B. GOVERNANCE AND CAPACITY-BUILDING

Existing patterns of governance in Zaire have resulted in limited demand for economic analysis and management skills, low returns to training in economics, and high research costs. President Mobutu Sese Seko and a small group of allies have sought to maintain their control over resources and capture economic rents by:

- concentrating formal decision-making power in the President's office and the Bureau Politique of the Mouvement Populaire de la Revolution (MPR);
- rotating ministers and senior advisors between ministries every two months;
- offering public sector employment to many but keeping wages so low that analysts must take additional employment to survive;
- maintaining elaborate surveillance of University faculty and analysts in Government;
- denying resources to local research institutions and limiting access to foreign education to members of the elite, when possible;
- increasing the costs of communication and research by allowing telephone services and basic infrastructure to disintegrate.

Although the weeks since the April 24 declaration of a transitional Government have seen increasing openness of discussion and the emergence of new sources of demand for economic analysis, most of those interviewed for this report noted the difficulty of capacity-building under prevailing political conditions.

1. The Organization of Decision-Making and the Demand for Analysis. Demand for serious economic analysis and for efficient economic management is in part a function of the ability of economic interest groups to contest one another in the political arena. Where private, commercial, industrial, or agricultural entrepreneurs are able to organize to

influence public policy and hold sufficient power in the economy to exercise countervailing power, government ministers must take seriously the demands of these groups for lower taxes, better infrastructure and services, etc. or risk losing influence. Government decision-makers have incentive to obtain and use information and analysis and improve the efficiency of the services their organizations provide. Where economic and political powers are concentrated in the hands of the same individuals, senior decision-makers encounter little pressure to demand and use sound analysis. They behave instead as monopolists.

Currently, the President occupies a monopoly position in Zaire. The country's single-party parliamentary system allows neither for checks and balances between legislative, executive, and judicial functions nor for representation of competing economic interests in policymaking, save through party-controlled associations. The President's power supercedes that of the Prime Minister, who acts principally as a "coordonateur de l'Executif" and is required to pledge loyalty to Mobutu. The President, rather than the Prime Minister, is the head of the party. He uses the party as an association for aggregating and articulating interests, along the lines of western political parties. Trade unions, the "Union Nationale des Travailleurs Zairois" (UNTZA), and the chamber of commerce, the "Association Nationale des Entreprises Zairois" (ANEZA) are all under MPR control. Further, because of the scope of Government intervention in the economy, most private sector agents are heavily dependent upon the President's favor for survival. Existing private sector interests in agriculture, industry, or commerce therefore exert little countervailing power and have minimal influence on policy.

2. Demand for Policy Analysis and Trained Policy Professionals. In the economic and political environment that has existed in Zaire for the past two decades there has been relatively little demand for technical analysis in Government circles. Simple descriptive commodity reports are kept up in critical natural resource sectors, but even these basic exercises are only available after long delays. Most economic decisions are taken on the basis of political considerations or to fatten the wallets of Mobutu's family and friends. For the most part, it is only when international agencies like the World Bank and the IMF require data or specific analysis to support their programs that Government turns to foreign or local economic experts for analytical assistance.

Usually demand for analysis comes not from Zairois decision-makers but rather from donors. Indeed, negotiations with donors are the main focal points of analysis and information-gathering. The Banque du Zaire draws together statistics produced by other Government organizations for its annual report and for the benefit of the IMF and the World Bank. According to those interviewed for this study, however, Banque du Zaire officials initiate few studies themselves. Until the collapse of the structural adjustment program, the country's adjustment program negotiating team constituted another center of demand for analysis. Consisting of a small group of ministers under the direction of the Minister of Plan, this "cabinet phantome" coordinated the country's investment priorities. They drew on the assistance of a few high-level advisors in the ministries, at least one of whom was an expatriate financed by the World Bank, and a young group of foreign-trained researchers and MBAs in the *Sérvise Présidentiel des Études*. With the exceptions of the Ministers of Agriculture, Health, and Plan, most cabinet officers appear to require few analytic reports from their staffs.

There are few other effective centers of demand. Deputies occasionally request studies of the investment opportunities available in their districts. They direct these requests principally to the *Sérvise Présidentiel des Études*. The proportion of legislative representatives asking for such assistance is still extremely low, however.

A new but weak source of demand has appeared since April 24, 1990, when Mobutu declared a transition to a multi-party "Third Republic." An infant free press emerged in

the weeks after the April speech. The journalists writing for these new newspapers and newsmagazines have limited access to information but do seek analysis they can use as the basis of articles. Limited financial resources and continuing surveillance by security agents restrict the power of this community, however. Similarly, the 42 new political parties are potential sources of demand but show few signs of ability to formulate and project alternative economic proposals. The strongest of these, the UDPS (Union Democratique Pour le Progrés Social) has published a magazine but has not projected a program of economic reform as part of its platform. Indeed, interviews with UDPS leader Etienne Tshisekedi's economic advisers revealed substantial lack of understanding of the ways an opposition party might start to define an economic program. The advisers had access to little data or analysis and instead relied heavily on the priorities and vocabulary projected by donor representatives. They also did not appear strongly interested in improving their own capacity to frame alternatives.

The weakness of demand for data and analysis inside and outside the Government is in part a consequence of structures that concentrate power in the hands of a few and in part a function of the specific techniques the President has used to defend his monopoly. Ministers rarely hold their jobs long enough to develop a strong sense of the information they need to do their jobs. For example, the average tenure in the office of a Minister of Agriculture is 15 months. Further, the amount of time required to extract data or analysis from Government bureaus in a country without a functioning telephone system and with few personnel capable of transforming technical information into policy options dampens demand. It is simply easier and less expensive to rely on donors for analysis, to eschew responsibility for generating a set of national economic priorities, and to accept and reject outside reform proposals on the basis of short-term political considerations only.

3. Governance and Low Returns to Education. The techniques senior MPR officials have used to maintain their power have also severely limited the returns to training and education in the Zairean system, reducing the supply of analytical skills in the public sector. The Government does not offer its employees liveable wages. At the time of the study the Civil Service, or *fonction publique*, had gone on strike. Wages for technical personnel were approximately \$50 a month, and University faculty salaries covered little more than transportation to and from the campus. Those who have university degrees or who have benefitted from donor-supported training programs in Zaire or abroad have found their skills better rewarded in the private sector, and many have left. Those who have stayed have taken on additional employment to make ends meet. The need to spread intellectual and physical energy between jobs has reduced attentiveness to the quality and quantity of analysis. Expatriate technical advisers also comment that by the end of each month, members of the technical staffs of the ministries usually are unable to afford more than one meal a day, and their ability to concentrate suffers.

Although those interviewed pointed to greater openness in the Zairean system since April 24, many suggested that it was often dangerous to advance policy proposals or collect data within the Government. Representatives of the President's security forces linger in the hallways to monitor activity. These people were evident at several of the institutions visited in the course of the study. One respondent commented that the sheer number of security organizations meant that analysts who fell under suspicion and were taken for questioning would take days to locate. Family members would have to find and visit the office of each service. Fear of arrest and of not being located for several days appeared to have limited the willingness of analysts to frame policy options or to pursue needed data.

The absence of personnel able and willing to link technical analysis with knowledge of local conditions and to advance policy options to officials at higher levels further limited the incentive of trained specialists to generate analysis. Unable to see the translation of their work into policy, statisticians and economists commented that their work was unrewarding. They had few opportunities to have impact on policy and little

chance to maintain or improve skills acquired during training.¹

4. Political Strategies and the High Cost of Research. The Zairean system also generates extremely high research costs. Analysts face not only the risk of interference by security forces but also elevated logistical and training costs. These are of five main types:

1. Higher data analysis costs result from limited access to adequate computing facilities. Especially at the University, limited availability of micro-computers forces frequent resort to basic hand calculators and pencil and paper exercises.
2. Higher costs of collaboration and data collection stem from the poor condition of telephone services. Government officials, private-sector businessmen, and University faculty are forced to contact others in person, adding extra days to the time required for research and policy analysis.
3. Transportation costs for basic research include not only the high tariffs for gasoline and vehicles but also:
 - a) provision for extra days of travel required to negotiate distances in a disintegrating road and air travel system
 - b) provision for high levels of unpredictability in air travel and
 - c) provision for informal "tolls" exacted by police and soldiers at the end of each month to supplement their incomes (\$10 for a small car and \$30 for a van, with no limit on the number of separate charges).
4. Overall costs are high because money passing through the Government is often withheld or "taxed" by senior officials, and equipment frequently disappears.
5. Lack of access to technical journals or books published after 1974 deprives Zairean researchers of the advances, data, and conceptual work made by others.

Further, several people noted that there was a "class" bias or political favoritism at work in the costs of research and training. Technical personnel not related to members of Mobutu's political "family" usually have access only to training in Zairean institutions, which have declined in quality since 1974. Unless identified and promoted by a foreign donor, young Zaireans who lack political connections must work especially hard to develop their skills themselves, with limited resources. Opportunities for training abroad, including "refresher" courses, are usually a privilege only accorded to members of the elite.

C. EXISTING CENTERS OF TRAINING, RESEARCH AND ANALYSIS

Zaire currently has a great number of centers for economics or management training as well as several centers of research. This report offers a brief description and assessment of the most important centers 1) at the University, 2) in Government ministries, and 3) in the private sector. It does not include a discussion of research and training in the

1. Interestingly, one World Bank technical adviser commented that the shortage of people capable of translating analysis into policy options and of doing so quickly, reduced the tendency of Ministries to use their staffs, setting in motion a vicious circle.

mining sector. Although obviously important in the Zairean economy, this sector was especially difficult to research at the time of the study because the President decided to use institutions in this sector as a source of funds for political activity.

Few of the centers included in the study work well. In the Zairean context, it is extremely difficult to control funds and material resources. Most centers experience severe resource management problems that cripple their ability to function. Second, returns to education are low, and the opportunity costs of remaining in Government employment are extremely high for those with analytical or computer skills. Retention rates of those trained are low. Third, the quality of training and research suffers 1) from over-dependence on a small group of "consultants" drawn principally from the University, 2) absence of evaluation and follow-up by organizations or by senior decision-makers, in most instances, and 3) absence of adequate materials. Fourth, none of the existing projects is designed to produce the kinds of policy option papers that are useful to senior decision-makers, in the event ministers or their counsellors need technical analysis.

1. University-based Training and Research in Economics and Management. Only 16 percent of the top managers in the public sector have university degrees. Although the number of Zairois with degrees from institutions of higher education has increased from 12, at independence, to 12,000 (1986), the country has a limited pool of economists and managers on whose skills it can draw. Those interviewed in the public, private, and education sectors noted that the preparation of those trained at Zairean institutions after 1974 is significantly inferior to that of earlier graduates.

There are two major University-based centers of training and research in economics in Zaire. The faculty of economics at the University of Kinshasa has primary responsibility for undergraduate and graduate education in demography, theoretical economics, and "micro-economics" or "économie appliquée" which is closer to American business education than to the standard American training in economics. Macroeconomics and planning are the major components of the curriculum in "économie pure." Microeconomics, accounting, management, and finance courses are the major components of the curriculum in "économie appliquée." Each year, the department grants about 250 "graduat" degrees (three-year degrees) and 150-200 "licenses," which require a total of five years of study. There are no specialized Ph.D.- level courses. The "doctorat" requires that candidates develop a specialty in conjunction with members of the faculty. Most graduates acquire jobs after six months of searching, according to the Vice-Dean (an optimistic estimate, in the view of others). Industries now prefer to train their own people on the grounds that university preparation does not help employees carry out their jobs. The economics faculty tried to develop internships in private enterprise and industry but could not convince companies and parastatals to participate.

Little research currently takes place at the University. The Institut de Recherches Economiques et Sociales (IRES) is a shell of its former self, although it continues to exist. It originally included faculty in economics, sociology, and law who wished to pursue their own research in conjunction with teaching and who could provide technical assistance to the government. At one time, IRES also produced a journal with articles that presented research results, a consumer price index, and a monthly newsletter with a printing of 1000 copies. Although IRES continues to produce a consumer price measure, its larger publication ventures are on indefinite hold for lack of money and lack of faculty interest. An AID-funded project with the demography unit has generated more research activity there than elsewhere.

Effective functioning of the University economics faculty is blocked by three main problems, all of which have their roots in the strategies of governance Mobutu has pursued. The preference for spending Government resources on development of "institutions présidentiels" and on defense, compared to social programs, has denied higher education

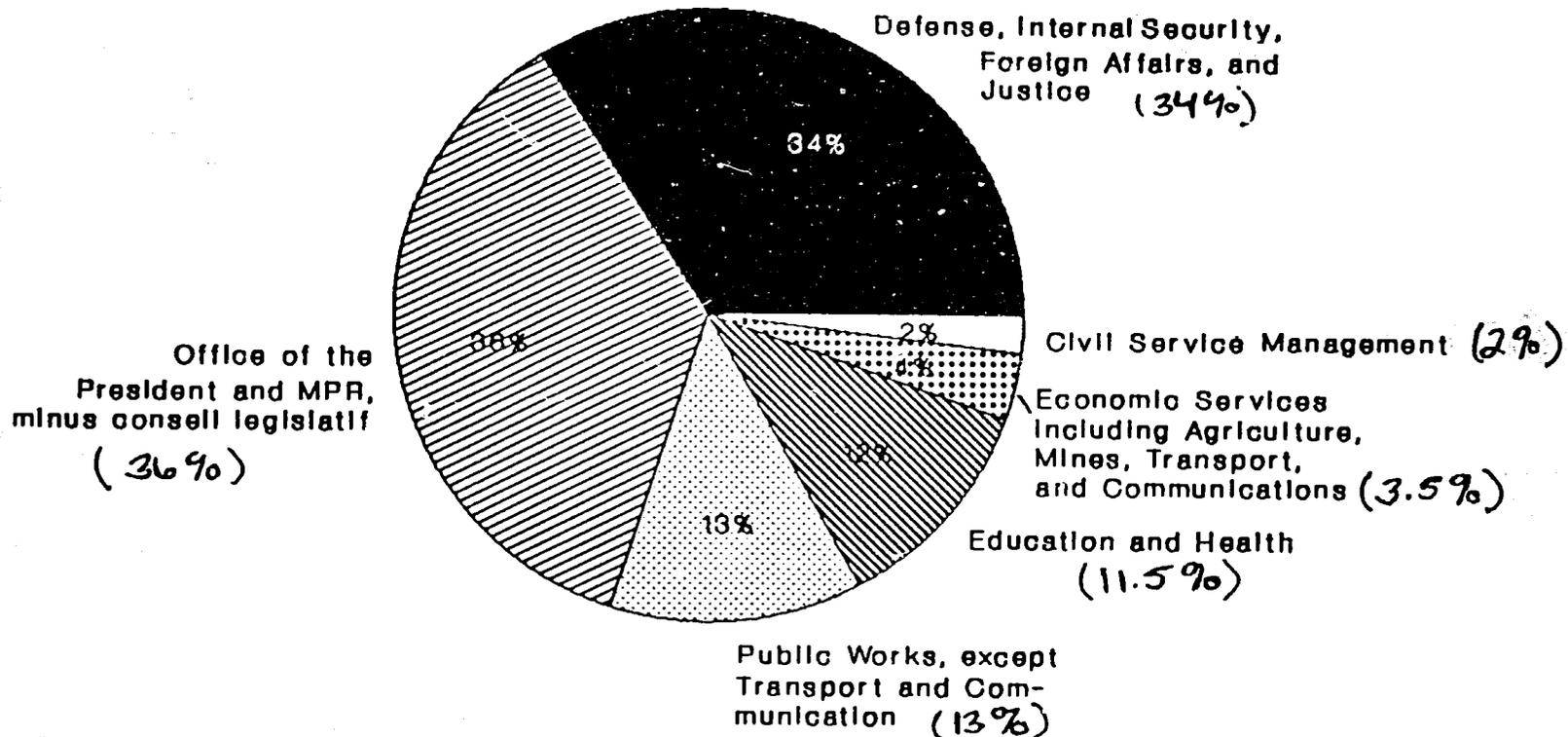
adequate support, even though the universities and technical institutes absorb between a quarter and a third of the entire education budget, on average, and serve only 1% of the population. Further, monies allocated to higher education rarely materialize intact. Equipment, salary support, and research funds routinely disappear.

One of the first casualties of resource scarcity is the quality of instruction. Faculty salaries are very low - less than the cost of transportation to and from the campus, for many. To make ends meet, professors take on other jobs. In medicine, for example, faculty have entered private practice. In economics, many moonlight by offering courses at public and private management training institutes and by forming their own private consulting firms. These provide a vehicle for participating in donor-sponsored policy research. Indeed, the donors provide the major source of demand for such services. The greater the number of such side activities, however, the less the time devoted to teaching. Stories abound of absentee faculty members who put in a token appearance once a week and neglect regularly scheduled lectures. Further, in a few instances, faculty have turned to their students as a source of support, offering higher grades for money or overcharging for copies of class notes. These instances are not the norm, but many faculty believed abuses have reached serious levels in the struggle to survive.

Second, the resource shortage has caused serious deterioration of the research and learning environments. The problem University faculty and Government researchers identify as most important is lack of access to economics and management journals and books published since 1974. The purchase of subscriptions and texts stopped in the 1970s, and Zairean students and researchers no longer have access to the work of other scholars, or to advances in theory, method, or practice. Only when a visiting expatriate scholar leaves behind papers and documents do Zaireans have access to these resources. Students must usually rely on lecture notes alone. Also of critical importance is the absence of computing facilities. Most faculty work with simple hand calculators unless their private consulting activities have allowed them to purchase personal computers through donors or unless they are able to make special arrangements to have access to under-utilized computer capacity in ministries (these deals are arranged on an individual basis). USAID has provided some access to computing facilities through its demography project and the public health program. The AID staff report that they have to wage a constant battle to keep the equipment intact; there are occasional 3 a.m. raids to try to remove the computers. The Vice-Dean of the economics faculty commented that even shipments of calculators rarely arrived at the department untouched. Finally, the quality of instruction has suffered from severe overcrowding of classrooms. Instructors describe classrooms so crowded that even standing room is cramped. Without air-conditioning or adequate lighting, conditions become almost unbearable, they report. Despite the desperate need for support, many of the faculty with whom the consultants spoke said they would not recommend giving money to the University; it will simply disappear, they said.

The third major problem faculty encounter in training students is the declining quality of primary and secondary school preparations. Education receives only 7% of Zaire's recurrent budget expenditure (see Chart). That proportion is down from about 24% before 1984. Of the total amount (much of which is directed to other uses), about two-thirds goes to primary and secondary schools combined. Over 80 percent of the primary schools and 66 percent of the secondary schools are directly administered by religious groups, which stepped back into the education business after the Government lifted its ban on private education. A decreasing proportion of Zairean children are now attending school, and those who do are trained by teachers who are often themselves poorly educated. Most primary school teachers have no more than a primary school education themselves. Few earn more than \$28 a month, forcing the majority to hold multiple jobs and to limit the time they devote to course preparation and teaching. University faculty and business people alike note the need to devote time and resources to building basic skills in mathematics before proceeding to more advanced subject matter.

Government Expenditures, 1988, Proportion by Type*



The recurrent budget figures used to construct this chart come from the annual report of the Banque du Zaïre, 1989. They are considered highly inaccurate. In practice, internal security, the party, and the office of the president directly or indirectly receive a much larger share of the pie.

The needs in higher education are enormous, but programming assistance is extremely difficult. The experience of the faculty of economics and of IRES shows the great difficulty of improving conditions without obtaining donor control over financial and material resources. During the 1960s and early 1970s, the Ford and Rockefeller Foundations, USAID, and Belgian cooperation had been heavily involved in supporting the University. They withdrew after encountering repeated difficulty in monitoring the use of funds contributed. Belgian cooperation continued in the sciences but withdrew in June 1990 after Belgium protested human rights violations and Mobutu insisted on the departure of all Belgian cooperants.

USAID has tried to get around these problems in the area of public health, where it has created a school from the ground up. Although still fairly new, the program has experienced some success. The AID personnel involved say they have had to maintain tight surveillance, made possible in part by the temporary presence of expatriate technical advisers removed from the local social system. They also note that such assistance is made easier by the fact that the University had no existing school of public health and that there was no comparable degree in the French or Belgian systems that required the project to assume a particular design in order for its graduates to receive acceptance.

Another alternative proposed by University of Kinshasa faculty and private sector entrepreneurs is the creation of private, regional universities. Committees have already formed to organize these, although the leaders have not coordinated their efforts. They agree that these universities will not only run more efficiently removed from government control, but will also serve populations not wealthy enough to send children to lodge in Kinshasa. The projects in Bas-Zaïre and Kivu are in the most advanced stages of development. The Bas-Zaïre project has access to buildings and to faculty from the University of Kinshasa, who are within commuting distance, as well as the involvement of some Citibank employees who have contributed management skills. The Kivu project has the support of the Vatican. Unfortunately, the organizers seem to have given little thought to the high costs of maintaining universities or to coordinating in such a way to make themselves more attractive to donors. At least one of the planned regional universities is under the direction of one of the President's sons. Asked whether the political elite would support creation of new universities, given the much-discussed ability of this group to send their own children abroad and the fear of university students, those with whom the consultant spoke said "yes, because the political elite all have children by their 'deuxiemes bureaux' whom they cannot afford to educate abroad."²

2. *Government-Based Centers of Training and Economic Research.* The government of Zaïre sponsors a number of centers of management training and a few centers of research within the civil service. A high proportion of these currently receive foreign assistance, yet despite outside help and a supply of highly trained Zaïrois, few of these centers perform effectively. This report selects only the most significant or most unusual of the programs in this sector.

a. *Service Présidentiel d'Études.* The major source of analysis for the President and Prime Minister is located not among the ministries but rather in the Office of the President. Created in 1974, the Service Présidentiel d'Études is a special research unit that produces position papers and reports on demand for senior decision-makers, députés, and private users (mostly donors, including the World Bank). The Service has three divisions: natural resources, economic and social studies, and computer analysis. The economic and social studies unit itself has three parts, including economics and finance; politics, sociology, and law; and technical, engineering studies. The economic and social studies

² "Deuxieme bureaux" is the local term for "mistress".

program has a total of 70 employees, of whom about a dozen are trained economists. Among the ten members of the professional staff, four had PhDs from the US and European universities, two had MBAs from the US and the remainder had advanced degrees from African universities (One from the University of Ibaden, the rest from Zaire). These staff members are allowed to carry out their own research projects when their time is not consumed by commissioned studies.

Interviews with members of both the economics and natural resource units revealed a group of young, highly trained analysts, many of whom had American PhDs or MBAs and some of whom had worked in private enterprise before joining the service. Most of those with whom we spoke found their jobs frustrating, for reasons having to do partly with lack of demand for their skills and partly for lack of adequate resources to do their jobs well. They pointed to political manipulation of statistics, which rendered their work ineffective, and to limited interest in their work from senior decision-makers in their own Government, as evinced in the limited resources allocated to the service. The economists noted that they could relay their concern about the quality of statistics by asking their chief to speak with the appropriate minister. In practice, they said, this system was cumbersome and ineffective. The ministries were highly suspicious of them and did not appreciate their requests. They said they were not well positioned to exercise real influence.

The analysts and department heads interviewed cited major problems:

1. The service, like the University, suffers from a shortage of current journals and books in its fields of study. Members said it was extremely difficult to learn about theoretical, methodological, or practical advances in their areas. They noted that the University suffered similarly and showed interest in the idea of a donor-supported and -controlled library facility. The engineers in the natural resource division as well as some of the economists pointed to the need for scholarships to permit them to attend conferences and refresher courses, although the economists noted the need for courses tailored to local conditions (they said that the American visitors who participated in a World Bank-sponsored workshop did not understand the local context well enough).
2. Members of both divisions pointed to the need for more interdisciplinary training. The engineers said they needed economics training to carry out feasibility studies. Similarly, the head of the economics division commented that his staff needed a stronger grounding in science and engineering so that "at least they could distinguish a kilowatt from a kilowatt-hour."
3. Most of the research projects take the form of project evaluations, but neither division has personnel adequately trained in this area. Additional training in these techniques is especially important. Courses similar to those offered by CEPETEDE (see below) were suggested as an appropriate model. The Natural Resource division participates in CEPETEDE training. The economists stressed the need for short courses and short-term study abroad granting diplomas or certificates that could be used as evidence of training received.
4. Several economists spoke of the need for more field research and said that the Government did not support such work. They believed that the donors most effectively use their funds by supporting library facilities, short courses, and field research. They noted the forced withdrawal of the Belgians from research support in natural resources and said they hoped the World Bank would assume the functions the Belgians had performed. They pointed to USAID's SEP project (see below) as a model.

5. Although the Service has a computer division, several of the economists pointed to lack of access to adequate computing facilities as a barrier to better work. Sophisticated technology was out of their reach. The engineers in the Natural Resources Division were especially appreciative of USAID technical assistance and intellectual exchange as part of an effort to transform satellite images into district-level resource assessment.

b. *Service d' Études et Planification, Ministry of Agriculture (SEP)*. USAID currently assists the Ministry of Agriculture Studies and Planning division through its Agricultural Policy and Planning Project (660-D119). The collaboration began ten years ago with the aim of developing coordinated agricultural plans and policies that would lead to increased agricultural productivity and higher rural incomes. The project has aided both the division of Strategy and Planning and the division of Agricultural Statistics, but assistance to the latter has largely been phased out. Economic analysis and particular research projects take place within Strategy and Planning.

During its first 10 years, the AID program at SEP has trained Zairean professionals in three ways:

1. 55 people have received master's level training in the U.S. in agricultural economics or statistics. Five people are currently enrolled in Ph.D. programs abroad (four of whom have just started), and 13 are "in the pipeline" for training.
2. 13 people have received 18-month training in the U.S. and have obtained certificates in their fields.
3. The program also provides on-the-job training. Until 1991, it will maintain seven advisers who train those who work in the program. Currently the team is organized by Chemonix, a U.S. consulting firm. Most in-house training has been in the fields of economics and policy analysis at the macro and sectoral levels. In-country workshops are also part of this program. For example, in May 1990, SEP sponsored a policy conference on rural finances.

The Service generates two types of products. The Division of Statistics oversees collection and processing of agricultural data from the regions. The Strategy and Planning Division generates commodity reports, planning documents, and research papers on topics selected by the staff and trainers. The commodity reports are widely considered the best product the program has produced.

Zairean University staff and Government researchers consider SEP one of the most successful training and research programs. They point to the sustained intellectual interaction staff members experience upon their return from training abroad and the system of "primes" or bonuses USAID has financed to provide incentive to remain in Government employment and to undertake quality work. The program also rewards people financially for attending seminars. They point to the advantages of using counterpart funds, derived from PL 480 imports, instead of foreign currency, and of ensuring close supervision.

Recent program evaluations have revealed several persistent problems and have led USAID to scale back its efforts. First, even with the "primes" USAID finances, it is difficult to retain people the program has sent to the U.S. for training. SEP has lost over 60 percent of the 55 people it has sent for master's degrees and 90 percent of those it sent abroad for 18-month training. Many of these people have gone into the private sector, where wage rates are higher (base salaries in the Government are low and there is little reward for seniority). Six of the 21 master's degree recipients who left did so as a result of

conflict within the program. Even in this environment, returns to education are extremely low.

Second, trainers and staff note that the unit's research capacity remains at a basic level. Staff complain that the training they received in the U.S. did not always equip them well to handle the tasks they encountered on the job. They point to the need for African-specific or Zaire-specific cases in their courses. Trainers comment that staff members often moonlight in order to provide for their families. As a result, they are not always able to concentrate energy and attention on analysis. USAID has recently decided to cut back on the use of primes, replacing these with direct payment for completion of specific studies to a pre-arranged level of quality.

Third, the Division of Statistics has experienced substantial difficulty in obtaining data from the field and in controlling the quality of the information used. There is no adequate supervisory system in the regions and the statistics collected are highly suspect. Those interviewed suggest that the problem has its roots in two sources: 1) lack of adequate leadership and 2) failure to extend training to regional inspectors and counsellors in the regional governments.

Fourth, those inside and outside the program commented that SEP has little effect on policymaking, largely because it does not deliver the kinds of analysis the Minister needs. The trainers in the program agreed with outside observers that training had developed capacity to produce commodity reports and some kinds of project analysis but that the master's level course work did not appear to help people develop their ability to frame and define policy problems. In consequence, ability to anticipate demands from top decision-makers is limited. This lack of capacity combines with a structural inflexibility in the reward system. It has been difficult under the prevailing system to provide incentives for overtime work necessary to respond to demands for position papers. Trainers comment that those who have studied abroad see little need to generate good analytic work because senior officials simply ignore their contributions. SEP has been unable to break out of the vicious circle. Several of those interviewed believed some of the flexibility problems could be overcome if the U.S. team included advisers who were accustomed to working directly with ministers and who were themselves willing to respond to demand for policy options.

c. Centre National de Coordination de la Formation du Developpement (CENACOF). Zaire has a large number of training institutions for lower and middle-level managers in public and private enterprises. Some of these are joint efforts on the parts of donors and private non-profit institutions, although they serve public sector organizations. The Centre de Perfectionnement Aux Techniques de Developpement (see below) is one example. The Center Chretien d'Action Pour Dirigeants et Cadres d'Entreprises (CADICEC) du Zaire is another. CADICEC, along with the Institut Superieur de Commerce had heavy Belgian participation and have encountered difficulties since Mobutu's July announcement that all Belgian cooperants must leave the country.

Of the public-sector training institutions, the Centre National de Coordination de la Formation au Developpement (CENACOF) is the most typical example. Started in 1980 as a USAID-funded project to train public sector managers in finance and human resource development, CENACOF has typically offered an array of specialized courses on marketing strategy, personnel policy, budgetary control, performance evaluation, inventory control, project evaluation, managerial ethics, and "formation des femateurs" - or how to train trainers. It has a staff of about ten permanent trainers and managers, supplemented by a large number of "consultants," usually university professors who are moonlighting. Courses last between five and twenty days. Most use case studies developed by the instructors. CENACOF usually offers between 12 and 15 courses per year.

CENACOF began to encounter internal management problems in the mid-1980s, eventually leading USAID to withdraw its main program support. The program is currently located in the Ministry of Plans and charges tuition at the rate of 10,500 per day (about \$18 per day). USAID offers tuition grants for managers of small and medium enterprises. Participation has dropped, at least partly as a result of the uneven quality of the offerings. Average class size is ten. CENACOF does not accept more than 30 students per course.

CENACOF suffers from problems common to most other training programs in Zaire. First, its own operations have suffered from management problems, including a lack of budgetary transparency. These have undermined the quality of the learning environment the program offers. Second, the program depends heavily on the services of the same small group of University professors - cum -consultants on whose talents all of the other programs draw. If the quality of instruction in University classrooms is any indication, the effect of overtaxing the energies of this small group is to reduce time spent in preparation of lectures and course materials. Finally, low enrollments suggest over-segmentation of the market for training in an environment where returns to education are low and the providers of such services are many.

d. *Institut National de la Statistique (INS)*. The Institut National de la Statistique is charged with collecting and maintaining statistics for the Government of Zaire, carrying out studies, harmonizing methodologies, publishing and disseminating results, and "promoting development of statistical sciences." It is largely dormant, in the view of most of those interviewed. The data processing unit now operates with donor-financed micro-computers at a location removed from the organization's main office. Users consider most of the data generated by the INS highly susceptible to political manipulation and substantially unreliable. For example, the cost of living calculations issued by the INS are considered so poor that donors and many Government offices choose to use instead the results of limited surveys undertaken at the University's Institut de Recherches Économique et Sociale (IRES) or the back-of-the-envelope calculations of the U.S. Embassy. All acknowledge significant flaws in the measures used by these two groups but believe the results are closer to reality than those published by the INS.

Donor concern has prompted a variety of assistance packages. Unable to maintain control of funds once provided to the INS management for improvement of the organization's capacity to generate statistics, USAID has recently turned to a contracting system that pays for delivery of specific products -- data sets or technical analysis. No payments are made before delivery of the output, and compensation is based on a negotiated estimate of the number of workdays required, not on actual days the INS management claims were invested. INS staff develop a research proposal in consultation with a principal investigator, who will be responsible for the product. USAID issues a letter of approval after review of the proposal and agreement on the plan for carrying out the project and on the budget.

This system is new and being tested in part through an AID financed program with Cornell University. The Cornell Food and Nutrition Policy Program plans to sub-contract some of its data-collection needs through the Institut National de la Statistique using the new contracting procedures.

e. *Projet d'Assistance Technique (PAT - II)*. The World Bank has started a training program in conjunction with two Ministries -- Agriculture and Environment and Conservation. The objective of the project is to develop the personnel of these ministries into functioning teams so that they can carry out their mandates more effectively. The project's advisor and the director understand the difficulties these two Ministries have faced in carrying out programs as the result of internal management problems, not "economics" or context. They argue that senior decision-makers are unable to draw on the

technical capacities of their Ministries because the staffs are unable to generate information and policy options -- or carry out policy implementation -- with any predictability.

The project plans to inventory the jobs in each Ministry, develop job descriptions in conjunction with the occupants of each position, negotiate standards of performance, and develop on-site short training courses specifically tailored to the needs of the individuals. All staff members will be included "from the senior officials to the chauffeurs," in order to forge dependable teams. The project advisor argues that analysts often fail to deliver reports because of inadequate job performance on the part of support staff. No training will take place abroad, on the grounds that too often those who study in the U.S. or Europe use these opportunities to their personal advantage and often leave the public sector. The project also aims to create "high level" analysts who can propose policy options for consideration, correcting the lack of "flexibility" identified as a problem at SEP.

The project is a long term effort and is too new to permit evaluation. Given the low returns to education in the public sector in Zaire and the low retention rates that result, the ambition to forge cohesive, enduring "teams" without material incentives for performance is likely to prove unrealistic.

3. Private and Non-profit Centers

a. *Centre de Perfectionnement Aux Techniques de Developpement (CEPETEDE)*. The management training institution with the best reputation in Zaire is the Centre de Perfectionnement Aux Techniques de Developpement. Many senior officials in the Ministries as well as the business people interviewed cited the practicality of the courses and the high quality of instruction. They said that participation of staff members had significantly improved the functioning of their offices. The program has a strong 10-year track record. It is important to note that the CEPETEDE provides short courses to improve management skills; it does not train people in economic analysis.

The success of the program in improving management efficiency has several sources. First, the courses are practical, often tailored not only to the Zairean context but also to the needs of the specific organization (for example, it runs a program specially designed for the Banque du Zaire). The program includes both long-term and short-term training. The standard long-term course includes four months of classes in business finance and three months of specialized classes in general management, project evaluation, etc. The short-term training courses last about ten days each and focus on skill development in accounting, budgetary control, "entrepreneurship," marketing, inventory control, sales techniques, import management, cash flow management, etc. The training is immediately useful to staff members and has perceptible benefit for the organizations that participate. Recently, the CEPETEDE experimented with courses for support staff and women, as well, primarily through a contract with a consortium of banks and the Chamber of Commerce (ANEZA) to develop capacity to lend to small and medium enterprises.

Efficient internal management procedures have also contributed to CEPETEDE's success. Started in 1981 with the assistance of the French (FAC/IFG), the program has supported a permanent staff of six French technical advisers, five Zairois trainers, and about 20 part-time consultants. Budgetary transparency has enabled other donors to contribute equipment and tuition scholarships. Both the World Bank and USAID have participated in the program (USAID has offered tuition grants to permit staff of small and medium enterprises to participate).

The CEPETEDE also offers the possibility of follow-up after training, although follow-up is not part of the regular program. The organization organizes consulting teams to advise companies or offices. The terms are negotiated separately for each client.

According to those interviewed, the CEPETEDE program has increased the ability of decision-makers to depend on their staffs for information and management analysis. Although CEPETEDE training does not directly improve capacity for economic analysis in the Government of Zaire, it provides an important allied service in an environment where lack of accounting and control procedures often make research and analysis impossible to conduct.

b. *Association Nationale des Entreprises Zairoises (ANEZA)*. Zaire's Chamber of Commerce is a quasi-public institution that includes both public and private enterprises in Zaire. It was founded in 1973, in conjunction with the Zairianization program that expropriated foreign owned businesses and installed Zairean owners. The Chamber's initial purpose was to inform enterprises of Government policy and changes in Government regulations. It has the task of representing enterprises in discussions with ministries and of offering training and market research to its members. It currently receives some donor support for these efforts, especially for short courses in financial analysis, international markets, and general management. The rest of its financial support comes from membership fees, which are of sufficient size to discourage participation by many small and medium enterprises.

The training programs are not considered to be as strong as those offered by the CEPETEDE. Nonetheless, they offer opportunities to some groups not normally included in the CEPETEDE. For example, since 1985 the French have assisted an ANEZA-sponsored small and medium enterprise program in the Shaba region.

The organization has a research department, but at least some of those with whom the consultants spoke believed that their work was little used. The chief of one of the research divisions had prepared a five-page position paper on the obstacles the Government creates to enterprise expansion and health. Included in the document were data on the deterioration of the country's road system and very detailed information on the costs of maintaining an expatriate in a business given the numbers of taxes on such personnel. The document also complained about the declining quality of university training and the high cost the collapse of the university system transferred to private enterprise. The division heads noted that they experienced little success in winning Government cooperation or in securing a modicum of Government interest in what they had to say. Some businesses were willing to buy "relief" from the problems regulations created, they noted, but American enterprises would not do so and eventually sold out to local buyers. They suggested that there would be little improvement without political changes, echoing a theme heard over and over inside and outside of Government.

The division directors were convinced that donors could nonetheless target their assistance more effectively. They suggested that technical cooperation sometimes followed a "stop and start" pattern that created difficulties for recipients. USAID was singled out for such criticism. They also commented that the donors currently supported too many training programs. Noting that Zaire had limited numbers of people capable of teaching short-term management courses well, they agreed that the donors had created so much demand for these skills that it had become impossible to maintain participation levels or quality of instruction.

c. *Jeune Chambre Économique*. A relatively new center of debate about economic policy and of training is the Jeune Chambre Économique, started in 1986. Now under the direction of Kadia Ontshim, the organization is a purely private venture funded by membership fees and sales of tickets for Jeune Chambre-sponsored events. The organization sponsors monthly "dinner-debates." Usually, a Minister or important business figure visits to offer a talk on a current economic problem and entertains debate and discussion afterwards. Since April 24, with increasing press freedom, the organization has

invited journalists to attend and encourages these people to write articles on the basis of the debates. Kadia Ontshim believes that the move to multi-partyism will improve the quality of the debates and generate demand for serious economic research.

The Jeune Chambre also sponsors seminars or short courses on topics that have included: Zaire's fiscal crisis, budgetary control, cost control, computer use, how to do market studies, import-export regulations and procedures, motivating personnel, basic economic analysis, and management of small and medium enterprises in the Zairean context. The courses usually take place in the afternoons, when employees are more likely to be able to secure time off.

The consultants were unable to obtain independent assessments of the quality of the courses and events sponsored by the Jeune Chambre. What is certain is that the high cost of these events preclude participation by most entrepreneurs, civil servants, and business people. The dinner-debates cost almost half of a middle-level civil servant's monthly salary and are too expensive to permit participation by USAID personnel, said some. Short courses cost about \$220 for members and \$280 for non-members. They draw on the same set of instructors or consultants used by CENACOF, the CEPETEDE, and ANEZA.

d. *Private Consulting Firms.* Private, one- or two-member consulting firms have proliferated in Kinshasa during the past three years. As economic conditions have deteriorated and donors have become increasingly less willing to support government preparation of studies and position papers, university professors, businessmen, and members of the political elite have moved in to capture a piece of the aid business. Some of these companies offer value for the wages they receive (usually at international rates, in foreign currency deposited in foreign accounts). Others do not.

These groups provide an alternative route for donor support of economic analysis at a time when donor governments and multilateral organizations are increasingly leery of government-to-government assistance. At the same time, however, they have significant shortcomings as vehicles for improving the quality of economic analysis or of capacity for economic management. All depend on the Government for basic data unless they have the capacity (and the Government's support) to go out and collect data on their own. Few have the volume of business necessary to generate economies of scale in data collection, making them expensive vehicles for this kind of research. Second, they must operate within the Zairean system, which means they too suffer from the difficulty of gaining access to international management and economics research. The skills of these consultants, sound as they are, are likely to lag behind the international standard. Third, some of these organizations are simply fronts for the political elite that bankrupted the civil service. Clever contracting procedures may make them more beholden to standards of performance than was possible through government-to-government assistance, but, if past behavior is any clue, they could well try to keep others out of the market, using political connections to block the capacity of other firms to carry out surveys. The jury is still out on these groups.

D. PROGRAMMING ASSISTANCE FOR RESEARCH AND TRAINING IN ZAIRE

It is extremely difficult to program funds for development assistance in Zaire, whether it be for capacity-building of human resources or any other program. Because of policy-imposed economic distortions, the economy is not growing and rent-seeking incentives lead businessmen to spend too much time in unproductive activities. Under such conditions, the returns to education and capacity-building in either the public or private sectors are low. Donors will continue to experience substantial difficulty in obtaining a measurable return on money invested.

There are four main options open to donors, all of which are on trial in existing

assistance programs. Indeed, the donors are to be congratulated on their originality in trying to identify effective organizational vehicles under the conditions Zaire presents.

1. Try to increase the returns to education by attacking policy distortions head on by forcing elimination of policies that offer rent-seeking opportunities.

The World Bank has refused to continue structural adjustment lending in Zaire, and in the wake of the massacre of students at Lubumbashi, continued government-to-government aid by the United States and Belgium is in doubt. A united front on the part of donors could succeed in forcing some basic policy change at a time when Mobutu is facing increasing popular opposition. Conditionality should include provision for increasing the salaries of technical staff and analysts and for substantial differentials in pay depending on level of training. Because this step may well require that Mobutu cut the number of people on the payroll, this approach may prove politically unacceptable. In any case, this option requires cooperation of all donors, willingness to walk away from the negotiating table indefinitely, and ability to measure implementation of conditions and to withhold all monies until specific changes or "benchmarks" are reached.

2. A second option is for donors to play a far more intrusive role than they have in the past, requiring that their own personnel manage the funds and material resources provided as part of assistance for capability-building and establishing a presence in the ministries to provide on-the-job, follow-up training and to manage the production and dissemination of analysis.

The USAID efforts at the *Sérvise d'Études et Planification* (SEP) at the Ministry of Agriculture and at the University of Kinshasa Public Health Program are examples of this kind of approach, although some changes in the structure of SEP are necessary.

The USAID effort at the *Sérvise d'Études et Planification* was repeatedly singled out for three elements of its design that brought it a measure of success. First, the project designers thought about the problem of opportunity costs; they trained people at the master's degree level or below in the knowledge that without the possibility of offering substantial "primes" Ph.D.s would prove difficult to retain.³ Further, they offered extra salary benefits to those who did return with M.S. degrees from U.S. institutions. Second, they recognized the need to bring people back into a system that works. Skill maintenance and retention rates are related to the organization of opportunities on the job. By providing in-service training, close supervision, and clearly-defined projects, the Division of Strategy and Planning was able to live up to the narrower objectives it set for itself. Lower levels of supervision at the Division of Statistics contributed to the lack of success there. Third, the project made extensive use of counterpart funds, limiting the attraction donor programs usually offer to high officials who seek foreign currency.

Nonetheless, SEP encountered several problems that are likely to afflict other programs of this type. The low demand for basic analysis,

³The "primes" offered proved insufficient, nonetheless, and the project required Ph.D.-level skills for some functions. In part for these reasons in 1990-91 USAID has decided to offer primes to only 10% of the employees at SEP.

especially in the agricultural sector, meant that the impact of training was extremely limited. The Zairois participants commented that they felt they had little influence on policy. Second, the inflexibility of project design also hampered performance, measured in terms of impact on policy. A "turn-key" research and training unit must have people capable of translating technical analysis into policy options and people who are willing to work weekends or nights as required by the schedules of Ministers. SEP was not set up to provide or support such liaison functions. Zairois employees believed they could not sacrifice the income from other jobs they held to work late or on the weekends (for which there were no primes). The American trainers were not hired to perform this role, either. Indeed, the U.S. labor market is such that technical assistance personnel who are accustomed to working at this level are extremely expensive.

Without reform of the civil service and elimination of policy-created distortions in the economy, these programs are likely to have limited direct and sustained impact on the quality of public sector management and economic analysis.

3. A third option is to "privatize" aid programs by paying only for specific services, on the model of USAID's new arrangement with the Institut de la Statistique (INS). These contracting systems provide donors a clearer way to evaluate the return on their investment; "performance" is measured not in people "trained" but in successful delivery of research and analysis services to a pre-negotiated level of quality. They too, however, pose several specific difficulties for capacity-building.

First, unless very carefully designed, they add little to the training or skill levels of those who participate, drawing principally on existing pools of talent. Where under-employed, qualified analysts exist, these contracts can help maintain skill levels. Where a country has a limited number of trained individuals or a shortage of young economists and managers of quality, there is a need for systematic development that cannot be easily accommodated within service contracts.

Within limits, USAID has tried to get around this problem and accomplish several goals at once by situating contracts within a broader framework and requiring certain kinds of interaction designed to build skills and reduce long-term research costs for the Zairean community. For example, as part of its collaboration with the Cornell Food Program, USAID has contracted with the INS and individual members of the research community to develop a data handbook and a consolidated data bank. It plans also to subject the INS and consulting group-based teams who deliver services to close technical scrutiny, both to ensure a high level of performance and to provide a form of training to participants. It is not clear that governments will be willing to allow donors to engage employees in this way. The risk of disputes about interpretations of contract performance terms is high.

Second, "privatizing" assistance and channeling opportunities to private-sector consultants provide incentives for an explosion in the population of local consulting firms, with little ability to control quality. There are economies of scale for some kinds of research, and one- or two-person companies can become very expensive vehicles for accomplishing basic tasks. Further, there is no guarantee that private firms will not act as agents of the very rent-seeking political elite this contracting approach seeks

to foil. In the Zaire case, at least one of the firms in the mushrooming local consultant community is controlled by a relative of the President. If the U.S. Congress decides to end all government-to-government aid and to permit only assistance through private and voluntary organizations, contracting arrangements offer opportunities but parties must be closely screened.

4. The fourth option is to support a few outstanding individuals either as an interim "holding action" or to promote change. To some extent, AID's Cornell-INS project represents an attempt to cultivate promising faculty members. Similarly, the AFGRAD program allows selective training of a few individuals, although the nomination process normally used in this program creates a "political class" bias. Except in the experimental project AID has initiated, this approach rarely permits measurement of performance and return on assistance dollars invested. It also demands that donors themselves re-arrange their programs to rely more heavily on small amounts of flexible funds. It is difficult for most large donors to operate in this way.

V. SENEGAL

(Senegal was not formally included in the rapid assessment upon which this study is based. A year ago, however, Tyler Biggs and A. Saulniers conducted a similar inquiry in Senegal for the USAID Mission. At the Mission's request, Biggs and Jennifer Widner visited Dakar for a few days in July to update the earlier report. Portions of the earlier report, and the more recent findings, are included here.)

A. INTRODUCTION

The need to improve the Senegalese Government's capacity to undertake macroeconomic and sectoral policy analysis is acute. Today there is almost no systematic local analytic input in economic decisions. Complex and often socially sensitive economic problems are dealt with *ad hoc* and are too frequently solely determined by political forces. On important economic course corrections, such as the current structural adjustment and stabilization programs, the policy analysis available to the Government emanates exclusively from international agencies, namely the World Bank and the IMF. Studies produced by these organizations are helpful, but national policymakers are put in a position where the only well-analyzed options presented are those reflecting the current interests of these foreign institutions. There is in such situations a potential for policy recommendations that may not adequately meet local requirements, and for inadequate policy implementation from lack of Government understanding and support.

B. CONSTRAINTS ON ECONOMIC POLICY AND ANALYSIS IN SENEGAL.

1. Technical Capacity to Undertake Economic Policy Analysis.

There is in Senegal scanty professional capacity to address complex economic policy problems. To make matters worse, the University employs most local professionals, and by French tradition, constrains its staff from consulting with Government. Even if these professionals were allowed to consult, however, there is some question as to their capability to undertake practical policy work.

French economics training is a particular problem because under the French system, university economists theorize about economics, while government administrators make economic decisions. French economics training, accordingly, follows two paths. One path is highly theoretical and is organized at universities for those entering academic fields. The second path, "scientific economics" as the French call it, is largely pursued by "engineers" at the Polytechnique, those going into government and business. Unfortunately, most of the economics professors at the University of Dakar are products of the theoretical school; hence their training and professional experience tend to moderate their enthusiasm and limit their effectiveness in applied policy research. (More on the University of Dakar later).

Outside the University, some well-trained, experienced Senegalese economists do work with international agencies (such as the World Bank, USAID, etc.), with the Office National de Formation Professionnelle (Dr. Abdoul Aziz Dia, the only U.S.-trained Ph.D. in economics currently in the country), and with the Centre Africain d'Etudes Superieures en Gestion (CESAG). Only a few of these people, however, ever consult for Government agencies. Most of them can earn higher pay working as consultants for international aid agencies.

Inside Government, those responsible for research and analysis of policy issues have, in most instances, been trained at the Institut Nationale de Statistiques et Etudes Economiques (INSEE) in France. INSEE's curriculum gives them a good grounding in statistics, administration, and a smidgen of basic economics, but given the requirements at INSEE to turn out general practitioners, as well as the short duration of the course,

graduates are not well qualified to undertake first rate policy analysis.

Efforts to address the problem of limited capacity for economic analysis in Senegal will thus require both initiatives to train more skilled professionals and programs to upgrade the technical expertise of existing personnel. We think that training more individuals in applied economics, following the U.S. model, is particularly important. Such training should involve changes both in methods of economic analysis and in the ways professional analysts are integrated into the policy process.

A final point about the requirements for successful policy reform and the need for training. Policy reforms proposed by foreign economists are rarely enacted unless local political leaders are active advocates of the reform. While the role of foreign experts may be helpful in making the case for reform, brief visits and expositions by such experts rarely build solid domestic support for reform. Support is more likely to be forthcoming if a convincing case can also be made by local professionals. Therefore, it is important to build up an indigenous research and analysis capacity that can present a continuing case for change.

2. Organization and Management of Information in the Policymaking Process. In any country there needs to be an orderly, well-managed system by which economic information is gathered, analyzed, and finally presented in the form of policy options to those making critically important policy decisions. In Senegal, this information system does not work properly; some would even say it doesn't work at all. Currently, data collection and analysis are fragmented among several Governmental institutions and do not find their way in a timely fashion into policy deliberations. There is no systematic process for sharing technical information among units responsible for analysis of economic data, or for developing policy options for consideration by high level policymakers. Many times, in fact, the fragmented local technical input constitutes a *post-hoc* argument against already-taken policy decisions (witness the recent changes in rice prices). Right now each Government agency is responsible for marshalling information in its area of responsibility and for responding to requests for analyses through its own research unit, as substantively limited as that information may be. Integrated analysis (interlinked effects) of economic problems is most often overlooked in this fragmented process.

A fragmented and disjointed information system also means that the analytical work done by local and foreign consultants may not receive wide enough circulation. Often such studies remain buried in the files of the agencies that commissioned the work.

The success of initiatives to improve policy analysis and policy formulation in Senegal will rest importantly on amelioration of the system for managing information. Policy studies generated by Government research units must be channeled to the relevant authorities in time and in the right format to have a chance of influencing policy decisions. Moreover, it should be noted that improved information management and improved analytical capability are best worked on together. Experience indicates that organizing a more effective information management system in government is most easily achieved as greater analytical capability is brought on stream.

3. Availability of Data. Economic analysis in Senegal is also constrained by a lack of accurate data. Reported data for GDP, domestic price trends, employment and many other economic variables are not much more than educated guesses. Even Government budgetary figures, and data on accumulated foreign debt, are in disarray. The problem of insufficient and poor data hampers the quality of work of both foreign and local technical experts.

Part of the data problem derives from the lack of resources both monetary and human; but part of the problem is also political. Government authorities consider current

economic data a "strategic good" that "might be misused in the hands of the opposition." Official statistics, therefore, are, on occasion, "massaged," without misgivings, to favor Government positions.

The limited policy research conducted in Senegal itself affects the quality and quantity of data. Demand for quality data is, in essence, a derived demand, emanating from the needs of researchers and policymakers. Initiatives to foster more policy analysis should, therefore, generate a demand for more accurate economic data.

C. SENEGALESE ORGANIZATIONS RESPONSIBLE FOR POLICY RESEARCH

1. *The Direction de la Prevision et de la Conjoncture* (DPC) is charged by the law [Arrete 005229 of 30 May 1981, copy included as Annex 1 to the present report] governing its organization with "all studies and research, both sectoral and macroeconomic, useful to the conduct of economic and financial policy of the Government."⁴

To meet this important objective, the DPC is charged with five specific actions:

- * maintaining a data bank of economic and financial information;
- * preparing and distributing four periodic reports;
- * carrying out requested studies on sectors and aggregates including agriculture, prices, incomes, employment, public finance, money and credit, international economics, and foreign trade;
- * coordinating the Government's short-term economic and policy choices by assuring the secretariats of both *Comite de Conjoncture* and the *Commission de la Prevision* and preparing the economic and financial report, which is included as an annex to the yearly budget law; and
- * preparing, negotiating, and monitoring economic and financial projects of the GOS.

The enabling legislation divides DPC's internal organization into three divisions and two bureaus, which are further broken down into sections.

The DPC was originally set up with French assistance. It grew from a cell originally situated within the Minister's cabinet under the auspices of France's well-known INSEE and the French Government's *Direction de la Prevision*. The DPC has usually housed one or more resident French technical assistants, often from or linked to INSEE. One technical assistant was in the DPC in June, 1988 and two more were expected to arrive in October, 1988. Many Senegalese who earlier worked at the DPC were trained at INSEE's associated ENSEA (*Ecole Nationale de la Statistique et de l'Administration Economique*).

The organization of the DPC in June, 1988 differs only slightly from that in the enabling legislation. The major variance is the integration of the data collection and analysis unit into the ongoing activities of the rest of the DPC without further subdivision into its component sections.

The DPC has had rapid staff turnover since 1984 with the departure of veteran analysts to other positions within the Senegalese Government, to international aid agencies, and to the private sector. Other staff are in training. Of the DPC's 19 professional staff, including the director, noted on the attached organogram, 5 are undergoing training [3 in the U.S., 1 in France, and 1 in Senegal] and 2 have not yet joined the DPC, but should be hired as soon as funds are made available. Reduced staff levels have forced the assumption of multiple responsibilities. According to the organogram (see Annex 2), one

⁴Recently the DPC has been reorganized under the Office of the President.

key member, currently in training abroad, occupies simultaneously the positions of Deputy Director, head of the Bureau of Studies and Research, and chief of the Divisions of Economic Synthesis and Projections and chief of the International Environment and Foreign Trade. One other individual holds two posts. Management is thinly stretched by training, as half the division chiefs are abroad, while analytical capabilities are also reduced as the best-trained analysts assume more management responsibilities. Due to the fall in staff levels, the French technical assistants have increasingly substituted for Senegalese in carrying out routine analysis or in preparing periodic reports.

There is concern within the Senegalese administration over the failure to replace outgoing DPC staff with people with similar backgrounds or training. The ex-Minister of Economics and Finance called the phenomenon a progressive "emasculatation" of the DPC. Staff members refer to recent events as a "hemorrhage." The Director and other Ministry officials accept the short-term quality decline as a natural consequence of the administration's using the DPC for on-the-job training. Currently, only 3 individuals combine a strong background in statistics with some training in economics and econometrics as "Ingenieur-Statisticien-Economiste." These three have high management responsibilities as Director, Deputy Director, or Division Chiefs. Most staff have a lower level of statistical training and limited economics as "Ingenieur des Travaux Statistiques" (8 out of 19), while another 7 are economists, virtually all trained at the University of Dakar, with limited statistics. One has a management background.

Several factors were advanced as causing the exodus. Pull factors include the attraction of promotions elsewhere in the administration or the lure of higher wages there or in private firms. Part of the problem stems from the uneven application of performance bonuses to supplement civil service salaries. For example, a customs controller could earn between 2 and 2.5 times the monthly wage of an engineer-statistician at the DPC with comparable training and experience. Some outside observers stressed push factors of management incompatibilities between the Director and his staff. DPC staff downplay this last reason, stress pull factors for particular individuals, cite even more rapid turnover at the Directorate of Statistics [DS], and note that only one DPC staffer arrived in 1988, with all others there for at least 1 - 1/2 years.

Upgrading the economic analysis skills of its statisticians and the statistical skills of its economists will be a priority training action for DPC staff. A second priority will be to complement the theoretical orientation of a French- or French-derived university education with the practical skills needed for empirically based economic analysis. A third priority will be to replace the qualitative notions of a development-oriented economics training with quantitative skills. A fourth is to provide sector-specific training for some individuals. Finally, from an analysis of their publications, a high-visibility intervention would add credibility to the DPC's final product and ensure its getting read and discussed by decision makers. The DPC director has completed a qualitative training needs assessment and has suggested specific short- and long-term programs for staff members.

Compounding its staffing problems, the DPC has assumed responsibilities beyond those set out in its legislation to become the chief Senegalese correspondent to the IMF. The new responsibilities arose because the DPC's capacities for macro analysis exceeded those of other MEF units more commonly associated, in other countries, with Fund programs, for example, Treasury or Budget.

DPC preparation of four periodic reports takes up a major portion of staff time. The *Tableau de Bord de l'Economie Senegalaise* is usually monthly, sometimes bimonthly. It contains: a summary of major international news issues grouped by sector or geographical area, a day-by-day listing of economic headlines from the local press, and some tables and graphs, without analysis or comment, on prices, exchange rates, imports and exports, rainfall, agriculture, industrial production, Government revenue and expenditure, debt,

and money supply. Monthly data are provided for a year or more. Their availability depends, in part, on figures from other Government units.

The *Note de Conjoncture* is a quarterly. In June, 1988, the latest available issue, No. 25, mostly used figures dating from prior to September, 1987. It contains international data on growth, unemployment, inflation, balance of payments, monetary data, and prices similar to those found in the *Economist*. The Senegalese data match those in the *Tableau de Nord*, with the addition of short commentaries. The dependence on statistics furnished late by the DS is most notorious in the index of industrial production which dated only from the first quarter of 1987.

The *Rapport sur les Perspectives Economiques* is issued twice yearly. It gives the same sectoral or macro indicators more analysis than either document mentioned above. A statistical annex provides yearly or, in some cases, quarterly data for certain indicators. The report also provides short-run forecasts, with detailed perspectives on the current year and more general estimates for the next two years. The report does not give the methods used in estimating the relevant economic parameters. A reasonable assumption is that plausible guestimates, perhaps modified for political sensitivity, provide the basis for the projections.

The *Rapport Economique et Financier* is the yearly annex to the budget law project submitted to the 120-member National Assembly. It builds on all other periodic documents produced by the DPC. The style is more direct, reminiscent of planning documents ["the growth rate will be x percent during 1988"]. DPC presents its most optimistic short-term growth prospects in the report, bereft of either graphs or tables.

The press run of the *Tableau*, *Note*, and *Rapport sur les Perspectives* is commonly 60 to 80 copies; the last issue of the *Rapport* had a higher run of 120 copies. The free distribution of the three is largely within the Senegalese administration with copies also sent to bilateral and multilateral donors. University lecturers or other interested parties may receive copies upon demand.

Other reports, for example, to provide data for inclusion in ministerial speeches or to reply to parliamentary question, occupy staff time. DPC staff indicated that less than 10 percent of the time is spent in carrying out economic research or studies. The dissatisfaction with the current time demands reflects both staff shortages which lead to increased responsibilities for those remaining, and educational backgrounds which stress theory over practice. A heavy dose of closely monitored on-the-job training combining research and practice and demonstrating that research can successfully be carried out within an administrative environment would aid in improving staff motivation and self-esteem.

2. The Directorate of Statistics (DC) is housed in a down-at-the-heels building far from the center of Dakar⁶. Its location and setting symbolize its contribution to macroeconomic policy analysis. Its staff experiences rapid turnover; it only has 5 "Ingenieur-Statisticien-Economiste," 3 of whom have high management responsibilities as Director, and as Division Chiefs. The 2 others graduated in 1987. The long lag in publishing national accounts was explained by rapid staff turnover. Each incoming bureau chief developed a new methodology and left no traces upon departure. A French technical mission wrote up the needed methodology in early 1988 and applied it to the 1981-1986 national accounts. The industrial production index is delayed because many industrialists lack the financial data to fill out the 11-page detailed questionnaire; compliance is estimated at 50 percent. The consumer price index is woefully outdated, based on a market

⁶Recently the DS has been reorganized under the Office of the President.

basket that dates from the time of Independence [1960]. Any macroeconomic policy project would generate substantial demand for better and more timely statistics. The World Bank project will provide funds to rehabilitate the system. Additional assistance from USAID may be necessary under a longer-term project.

3. *The Office National de Formation Professionnelle (ONFP)* is headed by a young, entrepreneurial, U.S.-trained economist. He and his staff, some of whom teach econometrics and quantitative methods at the University indicated their availability for consultancy assignments.

4. *The Centre Africain d'Etudes Superieures en Gestion (CESAG)* provides regional training and consultancy services to the seven West African Community countries. Similar to its sister institutions in Africa, it also has a fledgling research mission that is largely dormant. CESAG's highly qualified economist and business administration specialists have provided training or consultancy for other USAID projects, and they could also be tapped as local consultants for a macroeconomic policy project [see attached list]. At present, CESAG policy discourages institutionally linked consultancy by not providing monetary incentives for participating faculty. As a consequence, most faculty maintain their own consultancy firms on the side. Any project should explore how to best make use of CESAG resources.

5. *The University of Dakar* has a research center in applied economics [CREA]. Both national and foreign economists decried the poor quality of its output. They also had harsh words about the research abilities of university professors in general. Nevertheless, the HIID team met with two young, dynamic professors of quantitative methods who are generally regarded as among the most competent faculty members. One has established his own data bank of economic and social indicators for Senegal. The other is linked to ONFP. Both expressed interest in consulting. The issue of statutory impediments to the involvement of University faculty was raised and merits further exploration.

6. *The Institut Africain de Developpement Economique et de Planification (IDEP)* provides training in planning and administration. Its frank director provided useful insights into the local policy environment.

7. *The Ecole Nationale d'Economie Applique (ENEA)* has trained most of the economists in the DPC. The quality of its graduates is not highly regarded in the donor community, nor is it esteemed by professional Senegalese economists. The consultants did not visit with faculty at ENEA.

D. WHAT OTHER DONORS ARE DOING TO IMPROVE MACROECONOMIC POLICY ANALYSIS

The French Government has traditionally provided some macroeconomic policy advice for its former colonies, and Senegal is no exception. French assistance is provided by two main units. The *Caisse Centrale del la Cooperation* makes long-run loans, partly in support of the structural adjustment program, in close coordination with the IMF. The Caisse also runs an elite economics and finance training program in Paris for Africans who have the potential to be future decision makers. The *Fonds d'Aides et de Cooperation* [FAC] provides grants to develop or to fund projects. The grants often include a component to pay part of the salaries of project counterparts. Other assistance is offered on several levels; for example, approximately 900 French technicians are employed throughout the Senegalese Government under a program run by the *Ministere de la Cooperation* in Paris, but administered locally by the FAC. The 10-15 technical assistants in the MEF include a *Banque de France* financial specialist in the Minister's cabinet and individuals in most directorates or directorates general with the notable exception of the DS. The stated long-run French Government position is to reduce gradually its technical assistance program for

cost reasons.

Discussions by the HIID team with representatives of the French cooperation agencies explored the idea of bilateral donors giving technical support to MEF for macroeconomic analysis. The action-oriented French economists with whom we spoke shared similar views of the inadequacies of Government professional staff in policy analysis and saw a definite role for a USAID-funded project that would complement French Government assistance programs.

The World Bank also plans to provide assistance for economic policy analysis, particularly in the planning area, but also in statistics, macroeconomics, and policy implementation and administration. A total of \$20.3 million is planned for the Bank's Management Development Project; of that, \$5.3 million is to be allocated to "improve economic and financial management" at MEF. The Main components of this subproject are:

1. \$2.2 million mobilization of additional fiscal revenue:
 - * customs administration improvement.
 - * tax administration improvement.
2. \$1.2 million improvement management of the public debt:
 - * monitoring public debt.
 - * forecasting public debt.
3. \$1.2 million rehabilitation of the statistical system.
4. \$0.7 million improvement of formulation and monitoring of economic and fiscal policies:
 - * set up a study unit in the Minister's cabinet; "after an initial period, the unit will be transferred from the Minister's cabinet to another part of MEF" (not specified).
 - * 6 months of consultant services to "help working groups develop the necessary tools in specialized areas."
 - * policy review seminars.

Given the current limited absorptive capacity in Government to digest and use high quality policy studies, the unsystematic and centralized way economic decisions are now taken, and the lack of local capacity to generate useful policy analysis, the Bank's planned program seems notably insufficient in the area of improved policy formulation and monitoring, (#4 above).

At the end of July 1990, an HIID team visited Dakar, some 18 months after the above observations on the Bank's proposed project. What follows is an assessment of the project's accomplishments to date.

The World Bank began to implement its \$20.3 million management development project (Projet d'Appui a la Gestion du Developpement) at the end of 1988. It currently has four dimensions.

- 1) The Ministry of Economy and Finance project aims to improve the quality of administration in the customs, tax, debt management, and economic and fiscal policy divisions. The Government recently moved the Prevision and statistics programs to the Office of the President, and PAGD is in the process of re-defining its working relationship with these services.

- 2) In the Ministry of Plan and Cooperation, the Bank has initiated a system for developing three-year rolling investment plans, a program for analyzing development needs, and an organization for creating dialogue between the Government's central planning functions, regional administrative bodies, and parastatals.
- 3) The Bank program has also sought to develop human resource management in the civil service (fonction publique). The elimination of the ministry responsible for civil service administration has slowed program implementation in this area. The project originally had two main components, an analysis of civil service regulations and development of a bonus system to reward performance and training.
- 4) The final dimension of the project is a study of the social dimensions of adjustment, using the survey instrument already tested in Cote d'Ivoire and Ghana. The project is directed by the Institut National de la Statistique, now part of the office of the president. With the help of the Canadian Government, PAGD is currently training enumerators. The study has not yet started. This is the only project component that includes expatriate technical assistance. The project has a Canadian economics adviser.

The Bank has not yet undertaken an official evaluation of PAGD. The program's Senegalese administrators point to several problems that have slowed progress, however. These include

- 1) inability to negotiate the civil service reforms that would make it possible to reward good performance and skill development,
- 2) low returns to training and education in the public sector, compared to the private sector and international organizations,
- 3) over-extension of program administrators, given the need to manage material resources closely, and
- 4) lack of coordination on the part of the donors themselves.

The success of the PAGD program depends heavily on a series of civil service reforms. Without these, it is impossible for the Government to reward those who contribute essential analytic or management skills. The Bank program has failed in its effort to develop and implement a bonus system to reward good job performance in the public sector, however. The administrators point to four main obstacles. First, the Bank was unable to persuade senior Senegalese officials of the need for a bonus system. In consequence, no minister or senior civil servant was willing to take responsibility for changing civil service regulations or for working to help others understand the rationale behind the proposal. The PAGD administrator complained that the Government personnel "had not internalized" the objectives of the reform. Second, after the program started, the Bank insisted on a reduction in the number of employees in the public sector as a condition of structural adjustment lending. The "voluntary" departure of 2,300 civil servants, and the temporary layoff of 1,500 additional employees created resentment and made it difficult to win support for additional changes. Senegalese officials commented that creating a system of bonuses would cost too much under these circumstances. Third, as part of its structural adjustment agreement with the Bank, the Government reduced the number of ministries. The ministry responsible for administering the civil service was among those eliminated. There is no longer a clear center of authority for civil service reform with which PAGD can negotiate. Fourth, there is no source of accurate data on the size of the civil service or

on hiring and dismissal against which one can measure the progress of reform.

Returns to education in Senegal are low, partly because of low salaries in the civil service and partly because of limited professional rewards in terms of job satisfaction. PAGD administrators also comment that people who receive training believe their skills and knowledge are poorly used. They cite political manipulation of the statistics they generate as an additional disincentive to production of quality analysis. They also note that there are few people who can combine technical analysis with knowledge of policy options to produce the position papers that might influence decision making. The problem has been exacerbated by the "decapitation" of the analysis units based in the ministries and the concentration of policy analysis in the office of the President. As a result, much of the technical analysis currently produced goes to waste. Although the project intended to send many abroad for 9-month training with the U.S., PAGD has trained few people to date; only about 10 have participated in courses abroad (1-2 months in France) and these have come principally from the customs division of the Ministry of Economy and Finance. The PAGD administrator remarked that retention of people trained in computer skills is especially difficult. Both the private sector and international organizations are centers of demand for the skills employees develop in the PAGD program and both offer higher levels of compensation.

Third, the program has a large scope and is thus difficult to manage with existing staff. The senior administrator commented that he had to devote much of his time to management of material resources to prevent abuse of supplies purchased by the project. For example, he said that he routinely has to recalculate fuel allowances for trips taken by project personnel in order to prevent diversion of fuel to private uses. This kind of problem diverts attention from management of the more important dimensions of the project. The administrator noted that his job would be easier if donors would coordinate their programs and demand a common standard of acceptable costs.

Finally, lack of coordination between donors has created problems. Economists and technicians working with PAGD sometimes say they see little need for their talents, because the IMF and the Bank dictate policy options. They also comment that the IMF and the Bank are sometimes in conflict with each other and demand different kinds of information and reports.

It is possible to draw at least four lessons from the history of PAGD.

- 1) Project design must take account of the bargaining strength of those responsible for civil service reform. Piece-meal implementation of major reforms can be extremely difficult, because it allows vested interests time to organize and block changes. Cutting Government payrolls can create enemies for local authorities and reduce the power of local negotiators or leaders to secure support for changes introduced at later stages. Unless cutbacks specifically eliminate opponents of reform, sequential negotiations can result in failure. Project design must take account of the way reforms alter the ability of change agents to marshal bureaucratic resources.
- 2) Further, project design must recognize that training in itself is not enough to improve the quality of economic management in the public sector. As PAGD recognized, there must be a reward for performance. That reward has a monetary dimension, without which trained personnel have strong incentive to leave for international organizations or for the private sector. But, it is important to recognize that the ability to see the results of work and analysis put into practice also helps motivate people. The PAGD administrator pointed to the need for personnel who can translate technical analysis and knowledge of local conditions into viable policy options and position papers.

Without this link between senior decision-makers and technical staff, there is a risk that analysts and statisticians will lack engagement and direction in their work and will find other opportunities more exciting.

- 3) Donors can help local leaders improve economic decision-making by providing standards that depersonalize the management process and make it easier for those responsible to administer programs effectively.
 - a) The PAGD administrator suggested that donors should set standards for costs and performance and insist on adherence to these. The jobs of Senegalese managers are easier, he suggested, when it is possible to de-personalize administrative decisions by an externally-determined, non-negotiable scale.
 - b) The PAGD administrator also argued that there was a place for foreign technical assistance. He pointed out that although it is highly controversial to place foreign technical assistants in local organizations during periods of retrenchment, these advisers sometimes play critical roles in maintaining performance standards because they are outside the social system and do not suffer the sanctions often imposed on Senegalese managers who try to take tough stances. To perform this role, however, visiting personnel must remain in place for "a year or two." He argued that short-term visitors did not have sufficient knowledge of local conditions or command sufficient resources to assist Senegalese project managers in institution-building.

E. TRAINING: REGIONAL PROGRAM FOR FINANCIAL MANAGEMENT IN THE SAHEL

USAID has sponsored, since 1986, a regional training program in financial management. Its aim is to improve financial management in the public and private sectors by offering flexibly designed training programs which fit local needs.

In Senegal, the program has focused on two projects: a reform of inventory procedures in the Ministry of Finance and financial analysis training for small private enterprises.

In the public sector component, USAID consultants worked with ministry staff to simplify accounting procedures and obtain changes in the civil service law to permit these streamlined procedures to be implemented. Subsequently, a program to teach ministry personnel how to use the new system trained about 700 people. A follow-up program helped to minimize problems of implementation.

The private sector project concentrated on design of financial management systems for small-scale enterprises and development of a training program to implant these systems in firms spanning several industries. The initial program identified 25 bakery business entrepreneurs (university graduates with Government, small-business development loans) with an interest in management training. Five of these were chosen for intensive, "hands-on" practical training and then used as consultants to train the rest. This method has subsequently been used in several other industries with evident success.

Three lessons can be distilled from the Regional Financial Management Program that are important for management training in Africa, whether it be in the public or the private sector.

First, though parts of any management system are generic and probably can be taught anywhere, crucial aspects are location-, industry- and even ministry-specific and thus must be "tailor-made" working closely with local entrepreneurs.

Second, after a workable financial management system is developed (which includes a set of (local) industry standards on which firms (ministry) can base evaluations of their own performance), practical training courses should be designed using local case materials.

Third, and perhaps most important, there must be an intensive follow-up program built into the management training effort. There will always be implementation problems. To ensure that these problems do not overwhelm trainers when they try to apply lessons from the classroom, program trainers and local consultants must visit firms (or ministry staff) for an extended period after the course is completed.

In addition, groups of trainees can meet periodically to discuss implementation problems. In the Senegalese Financial Management program, these groups form the basis of a nonprofit consulting organization that now provides management training and follow-up for local businessmen in the project industries.

The experience of this project suggests that those who seek quick, arms-length solutions to Africa's management problems are misguided and naive. Design of appropriate systems, training, and follow-up require on-site, labor-intensive, long-term approaches. Unfortunately, many donors are reluctant to provide the necessary resources for the time it takes to complete such efforts. It is abundantly clear, however, that to make progress in building public and private analytical and management capacity in Africa, aid agencies are going to have to address these issues.

VI. REGIONAL PROGRAMS

A. INTRODUCTION

Historically, regional institutions have not fared well in Africa, but the small size of many of the countries on the continent, in terms of their populations and economies if not their land areas, makes people keep trying to make them work. By no means have all attempts failed, yet enough has been lost through the break up of the East African Community and other regional institutions to lead governments to view with skepticism most regional entities unless their headquarters are sited within their boundaries.

Donors have a particular interest in regional groupings for reasons of program coherence and economies of scale, and the ACBI will naturally seek regional approaches where they are viable. For this reason, it may be useful to review some of the more successful regional development experience in order to identify viable strategies.

B. SOUTHERN AFRICAN DEVELOPMENT COORDINATION CONFERENCE (SADCC)

SADCC is now ten years old. It was founded initially at least partly in order to lessen the dependence of the nine (now ten) member countries on South Africa. Donor support of the initiative has been strong, motivated largely by the attractive economies of scale available for work on transportation infrastructure and agricultural research.

USAID, through its Southern Africa Regional Program, has given strong backing to many SADCC activities from the beginning, so there is no need for extensive descriptions of the workings of the organization. It is, however, important to note that, despite the many areas of SADCC interest, only three institutions have been set up to carry out programs. One is the SADCC Secretariat, housed in a new building in Gaborone, Botswana; a second is SATCC which coordinates work in transportation and communications from Mozambique; and the third is SACCAR, the Southern African Centre for Cooperation in Agricultural Research, also sited in Botswana. The other regional functions carried out under the SADCC umbrella are decentralized, each member country being responsible for one or more sectors.

1. SACCAR. SACCAR is of particular interest because it is a coordinating mechanism for research in the agricultural field, it is relatively small and efficient, and it has a high reputation with AID and other donors.

SACCAR was established only after SADCC had been in existence for several years. A USAID sponsored team of consultants identified the need for an institutional base for coordinating agricultural research, and USAID, Canada, Norway and Sweden agreed to fund the new venture.

A Board of Governors composed of all the directors of agricultural research from member countries, plus six deans of faculties of agriculture, extension and veterinary sciences and two directors of extension, controls SACCAR. Originally, the organization was fully funded by donors, but SADCC has gradually assumed an increasing share of the financial burden, adding 5% per year, until it now meets 20% of the annual cost.

The budget of SACCAR is about \$1 million per year for core staff, facilities and research awards. In addition, SACCAR is responsible for about \$27 million of funding for special research projects, most or all of which are implemented in conjunction with national research programs by one or another of the international agricultural research centers.

SACCAR, as described by its Director, Dr. Martin Konya, has both a service function and a coordination function. The service function covers the following activities:

- publishing a newsletter;
- making research awards;
- making travel awards;
- publishing, jointly with Zimbabwe, a journal of agricultural research;
- running workshops on regional topics, often in cooperation with one of the IARCs.

The coordination function includes:

- identifying regional research projects and monitoring them;
- designing research programs in special areas, such as vegetable research, farm power research, etc.

Dr. Konya identifies several factors which account for SACCAR's apparent success in performing valuable services and managing substantial resources efficiently:

- agriculture is an important sector, attractive to donors, and the value of research has been demonstrated elsewhere in the developing world;
- the composition of the Board of SACCAR allows the member states to be represented in the conception and execution of projects by professionally qualified people;
- as a legal entity, SACCAR can become the grantee for projects run by the IARCs;
- SACCAR employs full time staff selected from any member state, rather than relying upon part time civil servants from the host country as do many sectoral programs; and
- SACCAR relations with its host country, Botswana, are excellent.

To this list of attributes might be added the fact that the IARCs constitute an invaluable technical resource, international in nature with outstanding scientific credentials, which can be called upon to execute research projects.

Among SACCAR's major contributions are studies it has undertaken to estimate the supply and demand for trained agriculture manpower in the SADCC countries and to identify areas in which faculties of agriculture, forestry and veterinary medicine in the SADCC region need strengthening. As a follow-up to these studies, SACCAR is now issuing a long term strategy for training of professionals in agriculture up to 2010.

Training was not originally part of the SACCAR mandate. When SADCC was established, responsibility for planning and coordinating action in the manpower training area was given to Swaziland. The Regional Training Center set up there has done relatively little useful work, with the result that sectoral programs such as SATCC and SACCAR have had to look to their own manpower development needs. SACCAR was late getting into this dimension of agricultural research capacity building because of efforts by the SADCC Secretariat to hold to the original allocation of responsibilities.

Dr. Konya is not satisfied with SACCAR progress on all fronts, for example the efforts to improve research management are lagging, but it is clear that with a professional staff of only five persons, SACCAR is performing a valuable intermediary role between the national agricultural research systems and the external institutions able to assist them.

2. SADCC Food Security Unit. In a region where 80% of the population is engaged in agriculture, AID supports seven SATCC units seeking to increase per capita food production and decrease reliance on imported food aid, of which SACCAR is only one. In Zimbabwe, AID supports a food security project based at the University of Zimbabwe with

Michigan State University (MSU) in a supporting role.

This project was set up to assist SADCC countries to develop more effective policies and programs by supporting the operations of the SADCC Food Security Technical and Administrative Unit in Zimbabwe. From the outset the project also has had a significant research dimension. Originally this involved collaboration mainly between the University of Zimbabwe and MSU. Gradually the research has spread regionally until there are collaborative research projects in Malawi, Tanzania, Botswana, and Zambia as well. Through an annual Food Security Conference, now in its 5th year, research agendas are developed, results shared, and dialogue with policy makers encouraged.

As MSU and collaborating individuals and institutions have gained experience with this project and its network resources, they have found ways to make it more effective, and to strengthen its contribution to capacity building. Workshops on specific skills have been offered to field research team leaders. Long and short term technical assistance is provided to help with management of research and the conduct of policy analysis.

Wilbald Maro, member of the ACBI Tanzania team, is one of the collaborators in this SADCC/MSU food security project. He is managing field research in Tanzania, is equipped with cutting edge computer hardware and software, and in part because of training at MSU, has strong general computer skills and an impressive command of research applications. In addition to his contribution to food security research, he has become a valued computer resource person for his University colleagues. Other evidence of the value of this network became evident in Tanzania when Dr. Maro and Mr. Banda of the MDB discussed the implications of their experiences at the annual Food Security Conferences for further policy-oriented research.

Regional networks organized along functional or problem lines can be powerful vehicles for capacity building, as in the food security case, but from project documents it seems that so far it is a by-product of the main effort of developing a regional strategy for achieving food security. Were capacity building to be a more central project objective, the effort might have been conceived in a longer time frame initially.

While the SADCC/MSU project demonstrates some of the capacity building potential of such regional networks, not all multi-country projects lend themselves as well to capacity building. Many sophisticated approaches to modelling economies may be inappropriate to African situations, or at least they may divert the energies of African researchers from more applied and beneficial activities. When participation in a well funded project offering initiation into advanced economic research methodologies is offered to an African researcher, he or she may be reluctant to refuse just because of irrelevancy to national development. The onus is on the donor organization to ensure that lucrative and even professionally attractive opportunities for collaboration are not dangled before African researchers whose research skills might better be honed to more applied purposes.

The "technology" is sophisticated, in such projects, and the modelling is typically done by expatriates working in relative independence of their local colleagues. It is not clear that giving such a project a capacity building focus would be a good idea. The critically lacking economic skills in Africa are not those at the frontiers of knowledge, but those essential to a basic command of economic principles. Thus in thinking about adding a capacity building mandate to a networking project, the choices of subject and technical focus are important considerations.

3. Unofficial Organizations in SADCC Countries. A number of organizations have sprung up along professional lines which take the geographical dimensions of SADCC as their sphere of activity. Among these are organizations of SADCC Accountants, SADCC

Architects, SADCC Museums, SADCC Trade Unions, SADCC Universities, SADCC Youth, SADCC Women, etc.

This phenomenon is potentially significant, because the possibilities of establishing professional standards, producing regional teaching materials, sharing training facilities, and setting professional examinations contain advantages in terms of both cost and quality over segmented national efforts. Donor support for fledgling professional organizations could be productive in areas contributing to improved economic management, particularly accounting, statistics, and educational examinations.

C. AFRICAN ECONOMIC RESEARCH CONSORTIUM

A regional network project specifically tailored to developing economic analytical and management capacity is the African Economic Research Consortium. Founded in 1988 with IDRC support, the principal objective of the project is to strengthen local capacity for conducting independent, rigorous inquiry into economic problems in Sub-Saharan Africa. The AERC is composed of a Board of Directors elected by the sponsoring member institutions; an Advisory Committee of leading researchers and policy makers from the region and international resource persons; and a small secretariat operating in conjunction with the Rockefeller Foundation's program in Nairobi.

The distinguishing operational features of the AERC are a regional approach to defining a common research agenda, and a team approach to research in which both academic and government economists participate in individual projects. AERC has a limited thematic agenda, currently concentrating on balance of payments management and domestic financial management.

Being founded explicitly to strengthen existing African institutions, the AERC clearly is concerned that efforts to create new regional institutions, particularly ones paying international salaries, would accelerate the drain of the best staff from existing institutions. We believe that this is a well-founded concern. The AERC itself, while operating regionally, is a viable alternative conception to a centralized regional institution for strengthening African capacities.

AERC in 1989 commissioned a series of studies on African graduate education in economics which are of particular relevance to the ACBI. The studies were undertaken by three senior economists:

- Professor S. Ibi Ajayi, Chairman of the Department of Economics, University of Ibadan;**
- Professor H. Jacques Pegatienan, former Director of the Centre Ivoirien de Recherche Economique et Social, and Member of the Faculte des Sciences Economiques, Universite National de la Cote D'Ivoire; and**
- Professor Mohamed Mukras, Chairman of the Department of Economics, University of Nairobi.**

These studies involved extensive interviews around the region. Their conclusions are particularly pertinent to this report because they represent an African conception of priority actions needed to improve the supply of trained economists in the region.

The authors conclude that effective demand for professional economists trained to the MA level or above exceeds the numbers currently available from local and overseas sources, and the shortfall can be covered in the long run only through the development of local capacity for graduate training. The report stresses the need for solid grounding in

analytical skills and theory in graduate training as a base for more functional training which can be given through short courses to meet the needs of different jobs.

The report calls for increased rationalization of graduate training throughout the region by collaboration and consultation among existing institutions. Increased government and external support will be needed to improve financial and professional incentives for teaching and research.

D. THE EASTERN AND SOUTHERN AFRICA MANAGEMENT INSTITUTE (ESAMI)

The consultants visited ESAMI, a regional training institution. Originally conceived to serve the East African Community, ESAMI is now an *intergovernmental* institution "owned" by its ten "full member" governments and serving 19 states of Eastern and Southern Africa. It is widely regarded as the most effective regional management training organization in Africa. A quote from the editorial in the 10th anniversary edition of its bi-annual magazine conveys the flavor of how it sees its role and the key importance to the institution of the fact that its staff is virtually all African:

"The establishment of an inter-governmental regional management development institute -- ESAMI -- is based primarily on the need for generic management development requirements of Africa's socio-economic development processes. It shares, in operational terms, the principle that Africa's development can primarily be conceived, promoted and managed by Africans. The development of its institutional capacity has been targeted towards the eventual development of Africa's institutional capacity for managing Africa's macro and microeconomic processes. "

ESAMI's program of management improvement services includes training, consultancy and applied research. Reflecting the growing movement in its member and client nations towards far-reaching economic reform and greater emphasis on the private sector, ESAMI has developed a four year Corporate Plan ('89-92) that features the following subjects: Faculty Skills Development for National Training Institutions; Women in Development and Management; Entrepreneurial Development; Trade and Export Promotion; and Management Development for Policy and Decision Levels in Government and Parastatal Organizations.

In the context of the needs we identified for selected, focused short courses, ESAMI represents a natural regional base for such offerings. They have demonstrated a capacity to deliver tailored training at the national and even the individual institutional level. They have the administrative structure both to put on remote courses, and to accommodate large numbers of trainees at their Arusha facility.

The Executive Director, Dr. Kasuka Mutukwa expressed interest in his Institute serving as a long-term institutional home for regional workshops. Despite its established advantages, however, it is not clear that ESAMI would be an ideal base. Cost is a factor. ESAMI proudly pays its staff international wages, despite their relatively low cost environment in Arusha and the fact that the civil servants of their client governments are paid a fraction of that rate. Some donor representatives commented that it costs almost as much to send people to ESAMI for training, even from Tanzania, as to send them to Europe or the US.

Beyond cost, one detects at ESAMI a reluctance to accept critical external scrutiny that raises doubts about quality. We believe that any good institution should welcome outside evaluation and even take steps to ensure that it occurs periodically. The continued vitality of the institution can be guaranteed only when impartial reviews are conducted. We doubt that ESAMI would welcome such evaluation, particularly if it were done by non-

Africans.

The Executive Director expressed receptivity to having outside staff help to develop short courses targeted on aspects of economic management, but less willingness for a continued input from outside. It is open to question whether ESAMI could develop and retain a faculty able to offer a program of short courses dealing with economic analysis which approach in quality those currently offered by Oxford, MSU and Harvard. ESAMI has, however, expressed interest in linkage arrangements with American institutions in a letter to AID. Given the well-developed administrative and physical infrastructure in place, it may be worth exploring whether ESAMI would accept arrangements that would help ensure long run quality control over analytically oriented short courses were they to be incorporated into its program.

E. CENTRE IVOIRIEN DES RESEARCHES ECONOMIQUES ET SOCIALES (CIRES)

CIRES is a quasi government/university research institute in the Ivory Coast. CIRES is often cited as an example of successful donor-assisted institution-building in Africa. Since its inception in the mid-1970s, the Center has received assistance from several international donors, the principal of which have been Ford Foundation, Canadian Aid (CEDA), and IDRC. The World Bank, USAID and other aid agencies have also funded major research projects over the years which have provided a significant part of the Center's income outside its government support.

In addition to its research projects, CIRES runs a masters degree program in rural development, which includes studies in agricultural economics, rural sociology and agribusiness. Extensive fieldwork is an important part of the course. Since the early 1980s Ford Foundation and currently the University of Laval (through a CEDA grant) has supported a visiting professor as a technical advisor to the research and masters programs. The donors have also furnished funds to support tuition for students from other francophone-African countries.

The Center's research and training programs can claim a modicum of success over the years. While we do not have detailed data to support a thorough evaluation, it is the concerted opinion of most observers that CIRES is capable of generating serious research, albeit of medium quality, and has been able to produce a recognized network of competent technicians in rural development. However, in recent years several problems have cropped up which are beginning to undermine the Center's effectiveness.

1. *Problems Encountered*

- a. *Budgetary Transparency.* The Center has found it difficult to develop an adequate accounting and central system. The new team of technical experts from Laval University has been forced to maintain strict surveillance over donor funds.
- b. *Lack of Donor Coordination.* The former Winrock representative Paul Perrault (supported by Ford Foundation) commented that the Foundations were not always reliable in their delivery of funds. In the past few years, he experienced particular difficulty with Ford. This year, declaration of an annee blanche (no school, i.e., the University is closed) has complicated the situation of the donors, who were asked to continue sponsoring students from neighboring countries even though these students were prevented from studying.
- c. *Political Interference.* Political activity by CIRES members, in the past, and occasional interference now from senior officials has distorted hiring and

promotion standards.

- d. *Low Wages.* Low salaries have forced many CIRES faculty to participate heavily in consulting activities at the expense of basic research. It should be pointed out that the per diem rates and facilities charges paid by international donors have made it highly remunerative for researchers, students and even chauffeurs to participate in these projects instead of focusing on the task at hand. Rates are close to U.S. levels -- in some case higher.
- e. *Few Seminars to Keep Skills Sharp.* Extremely busy staff have neglected student/faculty seminars recently.
- f. *Disintegrating Language Capability.* Most of the CIRES economists received U.S. training. Without occasion to practice English, many comment that they are losing their ability to communicate with those in whose scholarly traditions they have studied.
- g. *Research Agenda Driven By Donors.* Because donor agencies are providing a large portion of the funds available for research, they tend to set CIRES' research agenda. While outside support and ideas are helpful in building capacity in early stages of institutional development, CIRES needs to mature and move closer to a locally generated research agenda. The Ivory Coast needs an institution like CIRES both to evaluate and consider donor ideas and to propose local alternatives when appropriate.

2. Prospects

- a. Although Paul Perrault has left, there is a brand-new Winrock representative who seems intellectually interested in the work of students and faculty. He is German. A team of three Laval representatives has assumed much of the management function of Perrault's job. They have implemented tough new management systems that seem to work. All are respected by students and faculty.
- b. It is difficult for donors to fund programs or students as long as functioning of the program depends on government decisions about when the university will be open or closed. The instability is likely to continue in the short run. (September will be a bad month.)
- c. The potential for improvement exists, but skills are deteriorating. World Bank personnel commented on the variability of performance. Skill maintenance or skill development opportunities are important.

VII. ACTION RECOMMENDATIONS

In order to make our recommendations as operationally useful as possible, we have organized them into two main categories: actions which can increase the supply of competent analysts, and actions which can improve the utilization of the existing stock of analysts. Then we make a recommendation somewhat beyond our terms of reference for establishing a high quality business school in Africa. Finally, we comment on the criteria which AID might use in deciding whether the actions they wish to pursue might best be taken through the ACBI Fund, Cofinancing, Associated Programs, or completely independently of the ACBI.

A. INCREASING THE SUPPLY OF COMPETENT ANALYSTS

Botswana has utilized excellent economic policy analysis of both expatriate and local origin since independence. The supply of indigenous analysts is increasing steadily, but the size and complexity of the economy is increasing faster, and the rate of increase in supply is constrained by the output of economics graduates from the University, the quality of the economics department at the University, and the quality of entrants to the University from the secondary system.

Tanzania has had less successful economic policies since independence, indeed, they have bordered on the disastrous, but the policy process was founded upon an ideology which consciously favored social and political objectives over economic ones. Since 1986, when the first Economic Recovery Program was instituted, economic considerations have received somewhat more weight. The Government has been and remains very short of analytical competence, but fortunately the economics department at the University of Dar es Salaam is one of the best in Africa, and the Economic Research Bureau at the University is also very well staffed. Increasing the supply of trained people is constrained by the quality of University entrants from the secondary schools, limited staff time for teaching, and a severe space shortage at the University including office space, classrooms and staff housing.

In both of these cases, increasing the supply of trained analysts is of very high priority, but of low urgency. That is, emergency or crash programs would have little result, but a long term program for strengthening the numbers and quality of university graduates and masters degrees in economics could be of great long range importance. Neither university has suffered from excessive increases in student numbers with the drastic decline in standards implied. Both institutions seem able to use external assistance effectively.

We believe that the deterioration of economics teaching in many African universities, and the decline of university systems in general, is a matter of grave concern. When institutions are found that have retained their basic integrity in terms of staff/student ratios and quality of teaching staffs, in our opinion they deserve support. The question is how support can be provided most efficiently and effectively.

1. The AERC Proposal. The AERC report described in Chapter IV calls for greater collaboration across the region, but does not recommend the creation of "centers of excellence," which could become a drain on the resources of other institutions in the region. This study, completed in 1989, has been followed by a proposal drafted by the Executive Director of the AERC, Dr. Jeffrey Fine, which focuses on strengthening masters degree training in African universities. His proposal is still in draft form, but its general thrust is to establish a regional program for setting common standards and coordinating resource flows. It also provides for pooling of specialized training at a central location, but all core courses would be offered at home institutions. The proposal would require that local institutions agree to the maintenance of certain standards in order to be eligible to

participate in the program. If a substantial number of the universities of the region accept these conditions, we would urge that the scheme be given high priority for ACBI funding.

A number of universities in the region may have difficulty complying with the conditions of the program, but if they do not, it would be desirable to support economics teaching through this channel because, although the AERC is itself a donor mechanism, it involved all African institutions in the process of determining how MA programs should be strengthened.

2. The RF Model. Whether the AERC approach is adopted regionally or not, we believe AID should support economics departments on a case by case basis. The university development program carried out for many years by the Rockefeller Foundation is an effective model for institutional capacity-building.

In this model, a senior economist serves as resident project manager in each faculty to be assisted. The resident plays a facilitating or collaborative role in selecting candidates for overseas training, course development, designing and funding research proposals, assisting researchers in data analysis and preparing results for publication. Each faculty would draw up a staff development plan, and funds for offering two or three PhD fellowships per year would be needed.

The resident economist would also make known to the American economics community opportunities for teaching and research at the host institution. We believe that a number of US academics would welcome an opportunity to teach and do research in a good African institution if provided with minimal support, such as housing and transportation. The Peace Corps' Associate Volunteer Program or the Fulbright Program might be useful vehicles for attracting and supporting American academics in African departments. Assured support arrangements are necessary for attracting most senior visitors.

The Universities of Botswana and Dar es Salaam are both institutions needing and deserving support. Other institutions should be considered if their staff-student ratios are under, say, 1:40, if they have a staff turnover rate of under 10% per year, and if two or three members of staff have good degrees. Universities unable to meet those minimal standards would not be good investments.

This is a relatively high cost option, but one that could have substantial long range benefits to departments of economics which have received very little staff development support from foreign donors in recent years.

3. The RF/FF Initiative. We understand that the Ford and Rockefeller Foundations have commissioned an analysis of the problems of African universities and what might be done about them from Dr. Trevor Coomb, an educator with many years experience on the Continent. The study is connected with the work of the Task Force of Donors to African Education, to which 35 donor organizations belong, the Secretariat of which is in the World Bank. The Coomb Report, not yet drafted, will probably be presented to the Working Group on Higher Education, one of several Task Force working groups, in December, 1990. The two Foundations have already pledged a million dollars each to support activities proposed in this report, and other donors will be invited to contribute when the recommendations are presented.

4. Twinning. Twinning, the pairing of a US economics department with a department in an African university, could be a higher cost version of the RF model described above. Although the SIDA program twinning Lund with UDSM does not involve resident Swedish staff, we believe a resident economist to be an essential ingredient to good institutional development.

One feature of the SIDA/Lund program that is important, however, is the flexibility Lund has in arranging course work in Sweden for candidates from UDSM. Lund does not train all Tanzanian candidates, but the project managers do arrange appropriate training at some Swedish university. The sandwich doctoral program offered by UDSM and Lund is a model worth emulating through twinning arrangements.

The AERC study of graduate training in economics for Africans finds the sandwich program a useful example but suggests the following adaptations of the model:

- prior development by the department in question of a comprehensive staff development program based on current and projected needs;
- greater latitude for local universities to select from among a wide range of overseas institutions willing to participate in the collaborative program; and
- adequate provision for thesis fieldwork, including a living allowance that permits research on a full time basis.

In addition to placing a resident economist in an African university, and arranging an orderly program of staff development through overseas training, a twinning arrangement should include support for collaborative research. Twinning with a strong economics department, like at UDSM, should be done on a basis of parity; that is, at least as many principal investigators in joint research projects should come from the Dar faculty as from the twin. In the case of Botswana, where the faculty is not nearly as strong, parity may not be appropriate, but the roles of the two institutions would need to be spelled out in advance to avoid later problems.

A twinning arrangement at UDSM would involve capital costs for physical facilities. Donors are reluctant to invest in bricks and mortar, but in this case the advantages of being able to build upon a sound institutional base, with a strong core faculty already in place, could offer high returns on the investment. It might be possible, if teaching staff and their space requirements were met from outside, to bring students from other African countries to UDSM for masters degree training.

Any of the above initiatives could begin with pilot efforts in three or four countries, some Anglophonic and one or two Francophonic. Pilot efforts with adequate support would provide valuable experience for later expanding the program.

5. Economics and Public Policy Training Abroad. Building up the quality of economics training in African institutions is of great long range importance, but it may be some years before local programs rival the usefulness of some development economics and public policy training courses available in a number of institutions abroad. Masters degree programs at Manchester, Glasgow, and East Anglia in the UK; the Institute of Social Studies in the Hague; and Williams, Vanderbilt and the Mason Fellows program at Harvard in the US are of unusual quality and relevance for African officials. They offer a solid grounding in economic theory without diverting participants into the advanced modelling techniques which often captivate the minds of economists studying advanced economies.

In addition to development economics, training in agricultural economics, education planning, transportation economics and other specialized fields will become increasingly needed by African governments. Overseas training in these specialties is likely to be less expensive and higher quality than training in Africa for some years to come, unless the AERC plans for strengthening masters degree programs and pooling specialized training bears early fruit.

US institutions typically cater to students from Asia and Latin America as well as Africa, and often find it more efficient to administer candidates from those areas. The number and small size of most African countries makes it difficult for training programs to select candidates carefully and arrange individual funding from different sources.

We recommend that the AID Office of International Training or the Africa Bureau conduct its own evaluation of US graduate programs and decide which among them are of particular value to African officials. We suspect that several can be identified which are of high quality and pertinence to African needs. Those programs found qualified should receive central funding for a specified number of African candidates each year. This would simplify program administration and improve the chances that African candidates will gain admission.

6. Increasing Numbers of Women Analysts. In Botswana and Tanzania, we found no official bias against the training or employment of women. Women occupied senior positions in both countries, and those interviewed did not appear to experience gender discrimination.

Women are, however, greatly underrepresented among the economists ranks in both countries. This is apparently because of traditional cultural biases that lead to lower rates of education at high levels for women, and a tendency for women to study less quantitative subjects than men.

In Tanzania, for example, primary school enrolment was almost equal in 1987: 158,108 boys and 157,461 girls. The Manpower Report noted that one of the factors leading to dropouts at the primary level was early marriage, especially for girls. At the secondary level, 62,851 boys and 41,195 girls were enrolled, reflecting a considerably higher dropout rate for girls than boys.

The Dar es Salaam Technical School in that year had 919 male students and only 81 females. At the UDSM, enrollments in the economics faculty are only about 10% women, although three women are on the faculty. Dr. Anna Tibaijuka, one of the economists on the faculty, believes female students tend to avoid economics out of aversion to the mathematics involved.

The USAID Mission in Tanzania succeeded in awarding half its training opportunities to qualified women candidates last year, and the manpower planning office and training institutes we visited are sensitive to the importance of training women where candidates are available; but the systematic bias against women's education at the community level is likely to result in disproportionately few women in economic analysis and management positions for the foreseeable future.

B. IMPROVING UTILIZATION OF EXISTING RESOURCES

1. Donor-Created Demand. The demand for economic analysis varies greatly among countries. Demand for analysis has several different components. Technical studies often yield to political criteria in decision-making -- or succumb to the financial interests of top leaders. The degree to which non-economic criteria prevail varies according to the character of political competition in a country and to the leverage of a country's donors and/or creditors. Second, where there are high degrees of governmental centralization and high levels of political instability, civil servants and elected or appointed officials alike may be unwilling to take responsibility for decisions for fear of losing their jobs and their only source of income. Similarly, the reward systems in civil services often discourage those who are trained. Third, decision-makers often do not know what information and analysis they need and do not know what to ask of the analysis on their staffs. That is, to some degree supply creates its own demand; the more sophisticated the consumers of

economic analysis, the higher the quality of the services requested. Finally, the supply of analysis is often unpredictable, leading decision-makers to limit their dependence on local research units.

The sources of supply unpredictability are three: 1) delivery systems do not always function efficiently and convey reports in a timely fashion, 2) there is a shortage of personnel willing and able (qualified and experienced enough) to develop policy options on short notice and 3) the data on which analysis is based are often of extremely poor quality.

Of the countries studied, Tanzania and Botswana have strong official demand for local analytical competence. It could be argued that Botswana relies too heavily on expatriate economists to meet its needs, but that is a judgment we are not prepared to make. From our visit we would judge that Botswana uses expatriate talents prudently and provides its own staff ample opportunity for training and advancement in the Economic Service. Somewhat more in-service training could be done by foreign staff as we suggest below, but it would be difficult for us to conclude that the process of developing Botswana analysts could be greatly accelerated.

In Zaire and Senegal, however, the utilization of existing competences is far from ideal. In a situation where there is relatively little demand for technical analysis from government circles, donors are faced with the difficult problem of whether to keep trying to build and maintain analytical skills, and, if so, how. In these cases, a two-pronged approach may be necessary. Donors will have to make continued financial assistance conditional on government policy and civil service reforms that create demands for analysis and reward technical expertise. At the same time, they will have to take steps to maintain and upgrade the skills of local professionals. Creating research networks, building up local libraries, and sending local professionals abroad for meetings, short courses and collaborative research programs are several suggested steps. In Zaire, donors have dealt with the problem through a variety of strategies described in Chapter IV: requiring specified information and studies as a condition of assistance, entering into contracts with institutions for particular kinds of statistics and analyses, and limiting assistance to support for outstanding individuals as a holding action until conditions change.

Donor-created demand, either through requirements placed on governments for information or commissioned studies, is important and useful even in countries such as Tanzania where official interest in understanding economic forces is high. Clients like the World Bank have a better grasp of the informational and analytical potential of research than do even experienced policy-makers, although the latter may be more realistic about the limitations of analysis in decision making in their country.

Understanding the pitfalls as well as the possibilities of donor-stimulated demand may be one of the major challenges facing the managers of the ACBI. In Tanzania at the present time, a healthy situation prevails, where demand for studies and analyses exceed supply, but not so much as to produce serious distortions on the supply side. In other settings, donor and government competition has led to inflated prices for scarce talent which in turn has led to a decline in teaching standards, because the professors find it more rewarding to act as consultants, to kick-backs to civil servants who award consulting contracts, to resignations of able people from government and universities in favor of private consulting firm employment, and to shoddy standards of research and consultations.

Other pitfalls to donor-created demand include the fact that governments may be forced to undertake studies through conditionality attached to loans, and their response to the results of the studies may be lukewarm. If they have no choice but compliance, enthusiasm is understandably likely to be low. Also, if the donor community sets the

research agenda, it may not be the right agenda. Many countries would prefer to devise their own paths to structural adjustment, for example, than follow a course charted by people who do not understand the social, cultural and political context in which the process must take place.

2. Organization of Research.

a. *Regional Training and Analysis Center.* The possibility of initiating a center for African policy studies is appealing for a number of reasons. Many of the challenges facing African governments have common origins, and comparative studies of the impact of various policy responses for dealing with them could be very instructive. Many African governments, such as Botswana, are too small and have too few trained people to set up high quality research and training units on their own, but most could benefit from participation in a regional venture.

Because universities tend to be somewhat removed from the policy arena, the training they are able to offer may be solid in terms of theory but inadequately focussed on the real problems of governments. Moreover, the pressures of teaching undergraduates may leave little time for serious research. Most university research is likely to be framed by individual investigators, with the results lacking coherence in their approach to any particular set of policy issues.

A well targeted research center could focus on the options available to governments in dealing with policy dilemmas, bringing to bear rigorous tools of economic analysis in the specific African political, social and economic context. Such a center would be a haven for those analysts out of favor with their own governments, making it unnecessary for the region to lose their skills just because they cannot comfortably be employed at home. On the contrary, if the center were adequately situated and financed, it could become a magnet for attracting back to Africa some of the first class people who are presently working abroad.

The kinds of policy studies which, it has been suggested, could usefully be undertaken on a regional basis include the following:

- Macro-economic policy, including exchange rate adjustments, fiscal and monetary policies, public expenditure planning and public investment programing;
- public/private sector balance, including the informal sector and parallel economy, the role and management of parastatals, and the impact of the policy environment on private enterprise;
- industrial strategy, including effective rates of protection, import substitutions and efficiency, regional common market, and export-led growth studies;
- agricultural strategy, including price policy, marketing institutions, inter-dependencies with other sectors, and the contributions of research and extension; and
- social service delivery, including funding mechanisms, self help and voluntary institutions, and evaluation techniques.

The faculty of the center could be available to governments as consultants on these policy issues. The teaching materials designed for instructing analysts would be grounded in African experience. As a regional institution, the center would be free to examine policy options without having to conform to the ideology or stated policy of any single regime. Its reports could play a constructive role by examining alternative policy scenarios,

an activity often lacking in Africa in the absence of a loyal opposition. A first class research center would attract donor funding because of its quality and the importance of the issues it dealt with. It might also be popular with African governments for its ability to articulate African views and concerns more persuasively than could be done in a national context.

We encountered a considerable array of arguments against this regional concept. The center would have to be located somewhere, and those countries not selected for the site would be disinclined to cooperate with it very closely. A regional center, it is said, may study policy issues, but have little impact on the policy of any but the host government, if that.

A good regional institute capable of attracting African economists back from abroad would also have powerful attractions for faculty members of African universities. Even the strongest departments would be crippled by the departure of two or three good people. Undergraduate teaching would surely suffer from the centralization of highly qualified people. It could be argued that the quality of advice available to most governments in the region would decline because bonds between local universities and their governments would not survive the departure of the most able faculty members.

A regional center would be a magnet for donor funding as well as for good people. National universities and research centers might be even worse off than they are now if they had to compete with an elite regional institution for funds.

This issue is a difficult one to resolve. The value of a comparative approach to many policy issues is undeniable, and the appeal of an African research center with international standards is very great indeed. On balance, however, we cannot recommend AID support for such a center at this time. The number of qualified people serving in national institutions right now is just too small to risk their loss to a regional body which may or may not have an impact on policy makers in the region. The strength of opposition we encountered among academic economists in Africa to the "center of excellence" concept is sufficient to dissuade us from proposing further examination of the idea by AID.

If, however, a way could be found to minimize the diversion of academic talent from existing institutions, and maximize the attraction of African academic talent from overseas, the idea of a regional research institution would warrant reconsideration. It would be useful if AID were to commission a study of Africans working in the US who hold masters or doctoral degrees in economics, statistics or business administration. The study should attempt to find out what inducements would be necessary to get these professionals to return to work in Africa. With that information available, it might be possible to devise a program for strengthening existing university and government institutions dealing with economic policy at reasonable cost.

b. *The Korean Development Institute Model.* Governments typically find it difficult to set up in-house research capacity because of salary scale limitations and constraints on freedom to publish. On the other hand, even in Tanzania where Government/University relations are exceptionally cordial, confidentiality becomes an issue for policy research conducted outside of government.

A number of Asian governments, including Korea, Thailand, Malaysia, Pakistan and Indonesia, have dealt with these problems by establishing quasi-governmental research institutes which take their priorities and much of their funding from government, but retain some degree of autonomy. Their status as semi-autonomous institutes allows them to pay attractive salaries, and their relations with universities are often closer than is customary for government departments. Institutes such as these are able to maintain coherence in their research agendas, avoiding fragmentation or duplication of effort, and

ensure access of staff to the data required for policy oriented research.

Senior officials in both Botswana and Tanzania expressed interest in the experience of Asian countries in organizing quasi-public research institutes, and we are told of interest in Kenya as well. The literature on the origins and functions of the Asian institutes is thin, but there are a number of policy choices to be made in setting up such institutions. The precise relationship between a selected government agency and the research body needs to be carefully defined. Relations with outside agencies, such as donors or external research groups, should be delimited. Rules of confidentiality need to be spelled out. Pay and allowances need to be set.

African governments considering establishing institutes would benefit from an analysis of Asian experience, and a tour of successful institutions, before they decide to design a research facility. We believe that the Korean Development Institute, the Thai Development Research Institute, and the Applied Economic Research Center at the University of Karachi are promising models for a number of African countries.

c. University-based research centers. The Economic Research Bureau at Dar es Salaam is justifiably recognized by the staff of the World Bank as a model unit capable of carrying out independent research and providing policy analysis to the Government. It is not a model easily replicated elsewhere, however.

The ERB's success is based in part on two periods of sustained donor support, first by the Rockefeller Foundation in the 1960s, and since 1979 by SIDA. The UDSM was thus able to offer professional careers to a larger number of economists than were required for teaching, even during a period when economic analysis was little valued by the Government. Now, when the Government is turning increasingly toward market mechanisms, the ERB and the Faculty of Economics are equipped with analytical skills in relative abundance while the Government itself has few trained resources on which to call. The traditional openness of policy discussions, and the good relations which have prevailed between Government and University, made it relatively easy for Government to turn to the ERB and the Faculty when policy shifts made economic analysis more valued.

Most universities find themselves less favorably situated with trained staff vis-a-vis their governments. In addition, expanding intakes of students make it difficult to devote a substantial amount of faculty time to research and consultations without damaging the quality of undergraduate and graduate instruction. It would be instructive to examine the histories of the National Institute of Social and Economic Research (NISER) at the University of Ibadan and the Institute of Development Studies (IDS) at the University of Nairobi to gain understanding of the problems encountered by many university-based research groups.

For these reasons, we doubt that the creation of economic research institutes at most universities in Africa is a viable option.

d. Governmental research units. Neither Botswana nor Tanzania has a functioning research unit in the agency of government charged with economic planning. Botswana largely relies upon experienced advisors as research substitutes, and commissions outside consultants for special studies, while Tanzania makes extensive use of the ERB and Faculty of Economics.

Tanzania does have two governmental research groups operating at a good professional level: the Research Division of the Central Bank and the Marketing Development Bureau in the Ministry of Agriculture. Both units seem able to motivate and retain staff although they are constrained by Government salary levels.

The ability to offer overseas training opportunities is a powerful incentive in Tanzania. The MDB has access to FAO project funds which have enabled it to train most of its staff to the masters degree level. The Central Bank, until recently, was also able to send staff abroad for masters training, using Government funds, but these have dried up the past three years. The Director of the Research Division is the only PhD in the Division. In the MDB, the only PhD on the staff left recently to join a private consulting firm.

Incentives are the problem for most in-house research staffs. The head of MDB carefully analyses the factors that make employment at Government salary levels attractive, or at least tolerable, and sets about to create a conducive environment. He arranges transport to work, provides air conditioned offices financed by project funding, gives professional feedback to staff so they know if their ideas are accepted or if not why, and gains professional recognition for staff. Salary topping for staff is also sought through projects. The quality of leadership is obviously an important element in making the MDB an attractive place to work.

Both MDB and the Central Bank are able to specify work programs in some detail. They have sufficient focus to permit staff to develop their expertise and achieve an element of professional confidence.

These units have succeeded in becoming centers of recognized analytical competence in an inhospitable environment. We believe they deserve support, particularly for staff development. We doubt, however, that in-house research is likely to progress much beyond current levels because of the difficulty of retaining more qualified staff as the economy becomes more dynamic. It may be possible to create a research office attached to the Planning Commission in Tanzania, but the discontinuity between salary levels in Government and consulting incomes at the University are likely to be a barrier to the sustained growth of official capacity. Support for a quasi-public research unit with strong governmental ties would appear to be a better bet.

The incentives problem is also illustrated by the Direction de la Prevision et de la Conjoncture (DPC), an economic and social policy research group under the Office of the President in Senegal. DPC has a broad mandate for conducting sectoral and macroeconomic research useful to policy making, and it issues periodic reports on the state of the economy. It was set up with French technical assistance, and French experts continue to play a major role. A high rate of turnover of Senegalese staff has prevented the DPC from reaching the professional levels desired. Roughly half the staff of the DPC may be abroad for training at any one time, but many of those trained soon leave the institution so the process must begin anew.

The problems of Tanzania and Senegal in attracting and retaining highly trained staff are rooted in their civil service systems. The World Bank tried to support civil service reforms in Senegal under PAGD, discussed in the Senegal chapter, but was unable to negotiate the reforms which would make it possible to reward good performance and skill development. The Bank also plans to build an SAL around civil service reform in Tanzania in the near future. It is a vital undertaking, but there are few examples of success.

e. Research Networking. As discussed in the Regional Chapter, the SADCC regional research program on food security and the AERC regional research on balance of payments management and domestic financial management demonstrate the value of regional research networks on specific policy themes. Other examples of research networking include the work of the IDRC which set up networks called CODESRIA in East and West Africa through which research has been funded.

The scope for additional networks is limited by the number of trained investigators available in African universities and government research units, but these two examples, SADCC and AERC, combine analytical capacity building and policy-relevant research results in beneficial ways. The IDRC experience with CODESRIA suggests that it is not always possible to maintain quality through network mechanisms.

Research networks may be especially useful for maintaining the skills and interests of highly trained analysts living in countries where the demand for their services is weak and the professional community with similar interests is thin. In such countries, unfortunately all too numerous in Africa, strategies for sustaining qualified analysts in hopes the professional or political situation may improve is a way of protecting previous investments in human capital and of keeping prospects for change alive.

USAID should be cautious in considering suggestions for creating additional networks to ensure that research will contribute to policy analysis and to capacity building sufficiently to warrant placing more claims on the time of already fully engaged researchers. Building general equilibrium models would not normally meet this criterion.

3. Sharpening Analytical and Economic Management Skills.

a. *Workshops and short courses.* The Permanent Secretary of the Ministry of Finance and Development Planning in Botswana, the head of the Research Department of the Central Bank of Tanzania, the Deputy Principal Secretary of Finance in Tanzania, and other senior officials commented on the gap between theory and practice. Even staff returning from abroad with masters degrees in development economics require up to three years to become effective contributors to the policy-related functions of these institutions.

The observations of these senior officials are supported by the experience of Richard Goldman of HIID who conducts a workshop on food and agricultural policy analysis for African participants annually in Kenya. He has found that few of the participants, even those with masters degrees, can deflate a time series to constant monetary units, construct an index, or conduct other simple statistical manipulations central to the economist's trade.

Law school graduates, having mastered the theoretical basis of the law, must study hard before taking the bar exam in order to gain familiarity with the applied aspects of the legal profession. Similarly, well trained economists need training or experience to discover the practical applications of their profession.

A number of universities and consulting firms in the US and UK offer short courses and workshops on cost benefit analysis, investment appraisals, and program evaluation. Courses in banking and monetary policy in developing countries, budgeting in the public sector, and sectoral policy analysis, the use of tools like PERT and the use of microcomputers to establish information systems are less common but available. There is in general no shortage of short courses and workshops, although their quality varies; indeed, the absence of staff who are attending these courses is the bane of many senior planning and finance officials.

Training that gives participants the tools for bridging theory and practice is greatly needed in Africa, but often the benefits realized from even very good workshops are disappointing. Workshop graduates may have difficulty when they return to their jobs because their superiors and colleagues may be unfamiliar with them or unconvinced of the value of the newly learned techniques. Sometimes the teaching materials are based upon conditions in other parts of the world, making it difficult for the trainee to translate workshop techniques to local conditions.

Training, even if not of good quality, is both important and expensive in Africa. Its role transcends the function of acquainting new staff to accustomed ways of doing things. It serves as an avenue of technology transfer, as a way of introducing new or improved techniques to an organization. In some respects, it plays the R & D role in developing countries. As such, training is worth a good deal more attention than it typically receives.

One way to make training effective in Africa is to adapt courses to the particular circumstances of the client organization, and offer courses on a national rather than regional basis. Teaching materials should be adapted to reflect local experience, and techniques should be introduced to a sufficient number of people in the planning or analysis unit concerned for them to become standard practice.

In circumstances where it is impractical to adapt courses or offer them in the national or organizational context, trainers could make follow-up visits to participants to help them adapt their learning to their jobs.

b. Regional approach to establishing professional standards. Some fields central to competence in economic management lend themselves particularly well to regional cooperation; for example, statistics and accounting. They are technical fields with internationally comparable standards. The English-speaking states of Eastern Africa have sufficient commonality in their experience in these areas to benefit from standardized teaching materials, regional training programs, and professional organizations for exchanging experience. The SADCC framework could be used to channel ACBI funds to strengthen professional groups in that region.

4. Policy Implementation. Frank Sutton, in his paper on capacity-building experiences in Asia and Africa, observes that effective policy formation by a national government depends on a nation's political coherence and stability, the leadership and the competences it possesses. Not much can legitimately be done by outsiders, he notes, about qualities of leadership, stability, and political coherence.

This observation excuses us from trying to deal with the policy implementation process in Zaire and in other areas where corruption, instability or incompetence rule. But policy making competence is useful only if the policies govern action, and we believe that the World Bank's emphasis on policy making capacity should be balanced with a concern for the implementation of policies once formulated. Botswana and Kenya, for example, have had the benefit of generally well-conceived policies since independence, and their economic performance on the whole bears this out. In both cases, however, agreed and promulgated policies are sometimes not carried out.

Policy implementation is a much broader field than policy formation, and may tend to be put on the back burner because it appears to contain such unwieldy problems. Some problems, such as endemic corruption, cannot be satisfactorily addressed by external donors, but other dimensions of the implementation problem may be more amenable to intervention.

a. Economic literacy at the policy level. In Tanzania, for example, where economic analysis has not been a vital element of policy making in past years, many Ministers and party leaders with policy functions are not well acquainted with analytical concepts and their policy implications. Good analysis can lead to bad policy if the decision maker cannot interpret the importance of the results.

Acquainting policy makers with economic analysis can be a sensitive task, best left to local economists, respected advisors, or donors with no suspected hidden agenda. In Tanzania, one of the four full professors of economics serves as advisor in the President's Office while on leave from the University. In addition, an annual workshop on economics

issues is held for the benefit of senior officials, with USAID support.

In addition to these useful undertakings, the UNDP SAATA Program is designed to acquaint senior officials with options open to them in formulating structural adjustment policies, as well as helping staffs lower in the bureaucracy to conduct policy analyses. The World Bank also conducts informal seminars with policy makers in Tanzania.

This type of informal education is probably best done by international rather than bilateral agencies, and possibly best done under UNDP rather than World Bank auspices. The Bank has a close relationship with the Government of Tanzania at the moment, but it has recognized policy interests which could inhibit receptivity.

b. *Policy follow-up.* Once a policy decision has been taken, it is often necessary for someone to operationalize it. The IRS in this country, for example, may take six months or more to design regulations for implementing the provisions of new tax laws. In a developing country, the administrative unit responsible for implementing a new policy may lack the skills to schedule implementation measures and assign responsibilities for their completion.

African governments may also lack the capacity to monitor the implementation of policies and evaluate their unintended side effects. Periodic monitoring and evaluation can determine the need for mid-course policy corrections, or remedial action, in time to avert costly mistakes or omissions.

Governments could set up small policy implementation, monitoring and evaluation units in the chief executive's office, or in the planning ministry, with the power to oversee policy implementation by line ministries and agencies. These offices would often call upon research and analysis skills resident in local universities and consulting firms in order to evaluate complex policy outcomes. Donor assistance in defining and creating such units may be required in the short run.

5. *Improving Technical Assistance Strategies.* Although doubts about the efficacy of long term advisory assistance are not new, criticism of this form of foreign aid has reached a new level of sharpness and intensity in recent years. Publications of the World Bank and statements by African leaders often single out resident advisors for criticism and, in *Sub-Saharan Africa: Crisis and Prospects*, the Bank argues that "The long-term target must be to reduce technical assistance sharply. The first step is to replace long-term experts with short-term consultants."

The bill for technical assistance on a continental basis is extraordinarily high, and both the Bank and its clients are justifiably concerned to find ways to reduce it. In terms of capacity building objectives, however, a shift from long term experts to short term consultants is likely to be a step in the wrong direction. We found that long term collegial relationships play a key role in developing both research and managerial competence and the ability to apply analytical skills to practical policy issues. It would be unfortunate, therefore, to rule out such long term assistance just as ACBI gets under way.

The selection of countries for the rapid assessment was not ideal for gaining insights to this problem. Tanzania employs no expatriate advisors in policy-related positions. Botswana has rather large numbers of expatriate advisors and operational experts, but they are consciously used to maintain high performance standards until fully qualified local officers are available. We believe that, by giving higher priority to training junior staff than is now the case, the development of planning officers could be accelerated somewhat, but the main constraint will remain at the entry level. There are simply not enough capable graduates of the University in economics and related fields to meet the needs of the Economic Service.

Despite the absence of evidence from these visits of malfunctions in the supply of technical assistance, we are of course aware of problems elsewhere in Africa. We believe that some problems of overuse of expatriates, and delayed development of analysts and economic managers, stem from inadequate definition of institutional goals and inadequate human resource development planning.

If, at the time a technical assistance program is launched, care is taken to specify organizational and staff development targets for the termination date of the program, attention to staff training could rise in priority. Advisors could be assigned specific training responsibilities where appropriate, and the skills to be acquired by junior staff could be specified. Another advantage of such a program is the opportunity it would provide to consider a realistic time frame for foreign assistance.

In Botswana, a Planning Officer's Manual was devised in 1974 and has been updated periodically since then. This is a useful device for acquainting junior officers and expatriate advisors and consultants with the role and functions of the planning system, the responsibilities of a planning officer, and career trajectories for planning officers. It also contains refresher material on procedures for drafting project memoranda, methods for conducting project appraisals, cost-benefit calculations using discounted cash flows, measuring project worth, and discounting techniques. A manual of this sort could usefully be produced by other planning ministries in Africa as an aid to staff development.

The formal specification of organizational and individual development goals and timetables could become a routine function without useful content, but if done with active participation of senior ministry officials such an exercise can be valuable for reminding senior staff of the need to initiate and maintain action leading to human resource development on a priority basis. Very often, the pressure of daily events leads senior people to rely upon expatriates for advisory opinions in the interests of speed, without recognizing the value to junior staff of permitting them to participate in the consideration of important policy issues.

C. ACTION POSSIBILITIES IN DIFFICULT CASES

Most of our recommendations for AID action, through the ACBI or apart from it, pertain to countries such as Botswana and Tanzania where, although conditions are not ideal, the prospects for effective action seem quite positive. We are aware that in much of Africa the measures we have suggested above will not work, or will be distorted so that the results are unrecognizable. We need to confront the issue of whether anything can or should be done in countries where the demand problem seems to overwhelm donor initiatives.

In countries such as Zaire, where Government has let academic institutions and other parts of the social infrastructure deteriorate, and where there seems to be little demand for policy analysis, donors confront special problems in programming development funds, such as the following:

-- People trained to the PhD level in areas such as economics lose their skills because they don't have opportunities to use them, or because they have to earn a living in other ways;

-- Returns to an advanced education are low because neither the public nor the private sector is dynamic enough to expand the demand for services of highly skilled professionals;

-- Education and research institutions have deteriorated to such deplorable levels it

is difficult to know how to initiate any meaningful capacity-building programs. Libraries, laboratories, classrooms and teaching and research equipment are severely run down. Professional staff go through the motions of running programs, but most of their time is spent working in training or research programs funded by international agencies where extra pay can be earned to supplement meager wages;

-- Government research staff in ministries keep up periodic reports, but they are usually late and the data are suspect. Here again, trained staff often must moonlight in order to make ends meet;

-- Official organizations responsible for data gathering are for the most part nonfunctional;

-- Donor activities involving significant amounts of foreign exchange are targeted by corrupt officials forcing donors to act as watchdogs.

In such an atmosphere, it is difficult to develop capacity-building programs in the usual way. As the section on Zaire describes, donors have taken a number of steps to ensure that aid funds are targeted and managed properly under these difficult conditions, such as: conditionality, privatization of aid programs, and limiting assistance to outstanding individuals. They argue, we think correctly, that programs to upgrade and develop skills in these countries are needed to forestall the loss of precious human potential. Aid will have to be limited to holding actions until larger capacity-building efforts can be mounted in a more favorable political environment.

In terms of specific programs, donors might concentrate efforts on integrating local researchers into national and regional research networks, helping technical experts get out to international seminars and short courses, and facilitating local access to library and other technical materials. For best results it should be recognized that such efforts require small amounts of flexible funds with high levels of staff interaction and supervision.

D. THE CASE FOR INTRODUCING HIGH QUALITY BUSINESS EDUCATION

Business education is not, strictly speaking, part of the terms of reference of this assessment. We are moved to propose consideration of AID support for establishing a new high quality business school by the conviction that, even with good quality policy making capabilities and a decent record of policy implementation, most African economies will still stagnate unless the private sector can be greatly energized. Further, so long as the private sector is substantially in the hands of non-indigenous groups, governments will be reluctant to allow it much freedom of action. It seems to us imperative that the African private sector be given whatever support it needs to take confident leadership in promoting economic growth.

About twenty years ago, new and vigorous American-style business schools were being established in a wide range of developing countries, none of which happened to be in Africa. At that time, emphasis was placed by African governments and the donors on the orderly transfer of the management of African societies from colonial to indigenous hands, and not on private sector development.

Some of these new business schools failed, but most survived and are now recognized as valuable institutions by both government and the private sector. The Indian Institute of Management at Ahmedabad, INCAE in Central America, and Asian Institute of Management in the Philippines are best known of these institutions.

We are persuaded that the time is now ripe for establishing a private business school of high quality to serve English-speaking Africa, outside of Nigeria. (Nigeria may very

well require one of its own). We believe the private sectors of these countries can shortly be able to contribute substantially to the recurrent costs of a good business school once it has been firmly launched.

BOCCIM Chairman Mannathoko's remark that "we lack the culture for this (business)" provides a clue as to why an African business school is greatly needed. African governments seem genuinely convinced that the private sector should lead economic growth, but they are also keenly aware that their local business community is dominated by non-indigenous groups. For private sector development to actually take place, governments are likely to require greater participation by local people. The confidence instilled by a first rate business school is difficult to acquire in other ways if the business world appears to be dominated by another ethnic group.

A business school would have different dynamics from most African universities which have traditionally been training grounds for government service. In the African context, however, a business school should also have a strong public policy element including some solid economics training. Businessmen must understand the policy environment to survive and prosper because government policy is such a central part of their environment. INCAE, IIM and AIM have all become increasingly public policy oriented as they have come to understand the needs of their clients.

It would, in our opinion, be a mistake to establish a business school dependent upon one or more African governments. A good institution should be able to sustain itself once it is fully launched. In the short run, there may be a need and opportunity to gain some governmental funding without handing the fate of the institution over to official sources. A foundation might be created to which governments could contribute funding without expecting to gain leverage.

A careful pre-feasibility study could be undertaken by AID to determine the extent to which the rising African business community would support a new institution, the attitudes of governments towards a non-governmental institution for business training, and the most favorable location for a school if one were created. The study should look carefully at previous attempts to institute business training in Africa, such as CECAG in Senegal, in order to make realistic estimates of the incentives and controls needed from the outset in order to avoid some of the failings of competence, quality, and financial management suffered by that institution. The study might also canvas the US business school community to determine the extent of interest in participating in establishing a high quality school in Africa.

US seed money would probably be required for ten or more years in order to allow time for an African staff to be trained and for African case studies to be developed as teaching materials. This would be a major commitment for AID, but one which fits squarely with US policy preferences and beliefs.

We would not suggest that a first class business school is the only type of business education worthy of support in Africa, although we would give it top priority. Entrepreneurship training, marketing, and other business skills are in demand. Accounting, for example, is not just a valuable tool for business. It can also be used by fledgling entrepreneurs to keep personal and business records separate and explain to members of their extended families why capital funds must be retained in the business, as explained in the Senegal Chapter.

E. SUGGESTIONS FOR IMPLEMENTATION

In considering the recommendations above, AID will not only need to decide which it wishes to accept, but whether they should be implemented through the ACBI Fund, through co-financing or through an associated program. We think there are two considerations which could bear on AID's decision of who or how should implement specific projects.

The first consideration relates to the regional orientation of ACBI and the country orientation of AID, recognizing that AID has two regional program offices and the Southern Africa program. Projects implemented in a single country should normally be carried out by AID directly in order to take advantage of the logistical support which can be supplied by AID missions and the familiarity with local institutions possessed by AID staff. Regional projects could be carried out by AID, but the nod might go to the ACBI Fund in order to encourage other donors to participate in a joint effort. AID participation in the Fund could, in other words, have a modest multiplier effect.

The second consideration relates to the way in which the ACBI comes to be viewed in Africa. The Bank and its co-sponsors are endeavoring to gain genuine regional participation in the management of the Fund by appointing a Board with at least a third of the members from African nations. If the autonomy of the Board is recognized, and the control of the Fund by the Board is genuine, the use of the ACBI mechanism can have the kind of advantages the CGIAR has demonstrated in the agricultural research field. It will set a professional standard respected throughout the region and become the funding mechanism of choice for countries willing to contribute to African development but lacking an appropriate national mechanism to work effectively in that complex regional environment.

If, however, the ACBI Fund is widely viewed as an instrument of the World Bank, or the staff of the Fund are thought of as Bank staff thinly disguised, then there will be advantages to creating more diversity by AID management of projects. Again, this comment is not meant to be critical of the Bank, only to recognize the disadvantages which inhere when a single organization becomes pre-eminent in an area of influence in the international arena.

VIII. APPENDIX A

STATEMENT OF WORK

I. Purpose

The purpose of the contract is to provide the Africa Bureau with a rapid assessment of (1) the human resource and institutional constraints and (2) capacity in African countries for improving economic performance.

II. Background

Improving host country capacity for general economic management is essential to sustainable development in African countries. Key to such improvement is a human resource base skilled in a wide range of professional, technical, and managerial areas, including participatory decision-making. Greater reliance by governments on non-government local expertise and institutions is important as well. This is particularly necessary when structural adjustment requires severe reductions in public sector staffing, as is the case in most African countries.

A.I.D. plans to participate with the World Bank and other donors in supporting the Bank's proposed "African Capacity Building Initiative (ACBI) for Policy Analysis and Economic Management", which attempts to address the problems stated above. A first step is to develop a better understanding of both the issues at stake and the utilization of existing available capacity in policy-making activities.

III. Statement of Work

A. General

1. The contractor will conduct rapid assessments of policy analysis and economic management capacity in three to four African countries. These countries will be selected by the Africa Bureau. At least one of them will be a francophone country. Each assessment should last approximately two weeks.
2. The assessments must be conducted between the end of May and end of June, 1990, in order to permit the Africa Bureau to make a timely contribution to the refinement of the ACBI. Final reporting to the Africa Bureau should take place by mid-July, 1990.
3. The contractor will perform this assessment drawing extensively on literature of the performance and experiences of economic policy reform in sub-Saharan Africa.

B. Specific

In conducting these assessments, the contractor will seek to answer questions such as the following:

- a. are qualified macroeconomists available in host countries to conduct policy analysis and provide recommendations to government decision-makers?
- b. is the problem rather one of governments not requesting contributions from available local experts?

- c. to what extent have local and overseas institutions provided adequate training and professional support so that local experts can generate a wide range of policy options based on a variety of analytical models?
- d. to what degree are local organizational environments in which these analysts work conducive to full and free thought on macroeconomic issues?
- e. what institutions (government, academic, private) exist that could serve analytical and management needs of policy makers?
- f. what are the relationships among these institutions and between the government and these institutions?

C. Methodology

1. General

Based on literature search and contacts with A.I.D., World Bank, and key academic and foundation experts, develop a prototype questionnaire of about 40 closed-ended questions that can be applied to all countries visited. The questionnaire shall explicitly seek to elicit disaggregated gender information.

2. For each country

- a. Contact key host country personnel in government, academia, and private institutions.
- b. Conduct in-depth single or small group interviews with a representative sample (20-30) of institutions and organizations.
- c. Develop a framework mapping the capacity of relevant institutions/organizations/ministries to provide analysis, and manage the decision-making and policy implementation processes.
- d. Tabulate questionnaire results; review preliminary conclusions with A.I.D. Mission managers.

3. Prepare country-specific conclusions and synthesize these conclusions to present summary recommendations to the Africa Bureau in A.I.D./W.

D. Special requirements

- 1. In undertaking the assessment, the contractor must have sufficient familiarity with a number of A.I.D., World Bank, UNDP and other donor and foundation efforts concerning capacity building for policy formulation, analysis, impact and implementation management aspects. Given the short time frame, the contractor must also be familiar with the general economic situation of African countries, especially with regard to economic management capacity.
- 2. Because at least one of the assessments will be conducted in a francophone country, the contractor must have demonstrated French language capability, preferably at the FSI 4 level (FSI 3 would be acceptable).
- 3. In keeping with the spirit of capacity building, the contractor will make all efforts to include a host country expert on the assessment team. The USAID Mission in each country can help to identify appropriate experts.

IX. APPENDIX B

May 17, 1990

FRAMEWORK FOR ANALYSIS OF ECONOMIC POLICY-MAKING AND MANAGEMENT CAPACITY

This is an attempt to provide a framework for the three field teams en route to Africa. Five types of information will be sought, primarily through interviews in the field:

- Description of the current system of policy formation;
- Number and quality of analysts in the country;
- Training opportunities for analysts and economic managers;
- Previous attempts to improve policy process;
- Existing demand for change.

These topics are expanded upon below. The last topic is considered in most detail because it concerns opinions rather than descriptive data. It is unlikely that field teams would administer a questionnaire as such, but this framework of information requirements can be used as a guide to ensure comparable coverage.

A. Current system of policy formation

1. Structure of economic decision making in the Government

- a. Role of the executive office, the ministries of planning and finance, the central bank, and other agencies in policy formation. How is government organized to take decisions? Is there an economic policy committee? How are economic issues resolved which require interministerial coordination but not top level decisions, eg research policy and research priorities?
- b. Sources of key economic information or periodic reports, such as cost of living index, foreign exchange reserves, balance of payments, forecasts of taxation revenues, rate of inflation, rate of unemployment, rural urban migration trends, employment and educational achievements by gender, manufacturing output, crop production statistics.
- c. Location of points of economic analysis within the system.
 - kinds of analysis performed
 - linkages with agencies in and out of government
 - adequacy of data resources
 - extent to which computers are used, needed.
- d. How does government formulate its positions for negotiations with multilateral and bilateral donor organizations?

2. Sources of economic analysis outside of government, eg universities, UN or regional organizations.

- a. Utilization of these sources by economic managers and policy makers;
- b. Pattern of relationships between government and external research centers;
- c. Environment for public discussion of policy issues: are analyses of current economic and other public policy and management issues produced within the country and published or otherwise disseminated? Sources? Quality? Constraints?
- d. Access to sources of data.

- e. What consulting arrangements are available to analysts outside of government? Are they attractive?
3. Opportunities for sharing experience at the policy level with other African and other developing countries.
 - a. Role of ECA
 - b. Role of OAU
 - c. Research networks
 - d. Professional organizations
 4. Role of donors in provision of policy advice.
 - a. Provision of external technical assistance
 - b. Fellowships and study tours
 - c. Funding of local consultancies
 - d. Direct policy representation
- B. Number and quality of trained analysts available**
1. Staffing of government offices engaged in economic analysis
 - a. educational profiles
 - b. gender
 - c. experience
 - d. promotion tracks; movement among ministries
 2. Staff qualifications of university and other research and analysis centers
 - a. educational profiles
 - b. gender
 - c. experience
 - d. movement between government and universities
 3. Qualified nationals serving abroad in universities, UN posts, etc.
- C. Training of personnel in economics, public management and the policy sciences**
1. Annual output of PhDs, MAs, Certificate, Diploma and BAs in these fields from indigenous institutions.
 - a. Disaggregated by field
 - b. Disaggregated by gender
 - c. Rated as to quality
 2. Sources of support for existing institutions
 - a. Government, private and donor funding
 - b. Twinning or other collaborative arrangements
 - c. Sources of staff
 3. Opportunities for external training in policy fields at degree and graduate levels
 - a. Funding: Government bursaries, private, donors
 - b. Gender distribution

c. Selection process

4. Career prospects for people trained as analysts

- a. Typical career progression
- b. Mobility between government, private sector, university
- c. Retirement age and post retirement opportunities

D. Previous attempts to improve the policy process: what strategies have been used by AID Missions and other donors?

1. Training programs
2. Institution building projects
3. Advisory services
4. Outcomes, problems and achievements: How are results evaluated? In what time frame?

E. Existing demand for change

1. Views of senior policy makers and economic managers concerning the quality and quantity of analysis available within government and outside it
 - a. If inadequate, why? What could be done to improve?
 - b. Are available sources of information on key economic and social variables adequate for policy formulation? Do they have feasible improvements in mind?
 - c. If research and analysis were done on policy issues by the university, would the results be useful to government? If done regionally, would results be useful?
 - d. Are more trained people needed? In what fields? Where should they be trained? Are local training institutions able to produce the kind of people needed for analytical work? What are the best foreign or regional sources of training?
 - e. Are adequate opportunities for in-service training available? Could good people be spared for degree or short courses from government service? For how long could they be spared?
2. Views of trained analysts in government
 - a. How appropriate was your training for the type of work you are now doing? Do more useful programs exist that you know of? Could you suggest improvements?
 - b. How well are your skills utilized by policy makers and economic managers? Could you be more fully utilized?
 - c. How well are available analytical resources outside of government utilized by your own organization? By other governmental organizations?
 - d. Do you foresee a rewarding career in government as an analyst? Do you anticipate moving in and out of government, such as to a university and back again?
 - e. What measures could be taken with donor assistance to enhance the policy-making process in government?
 - f. Is government short of good analysts? If so, why? Are salaries competitive with universities? Business?
 - g. How many trained analysts from your country do you know to be working abroad?
 - h. Do women have as many opportunities to become trained in economics and public policy as men? Are their career prospects equally good in government?

- i. Are policy alternatives evaluated for possible differential impact on women compared with men? Does government have a policy concerning employment and welfare which distinguishes goals by gender?
 - j. To what extent are computers used? What software employed?
3. Views of analysts and other professionals outside of government
- a. Is government well served by the economic information services it has created?
 - b. How well does government utilize the strengths of your institution for analyzing economic trends, exploring policy alternatives, and advising on programs and policies? Should it use your institution more?
 - c. Are present or prospective government employees trained in your institution? At what level? Should more short or long courses be mounted at your institution if funds were available?
 - d. Is movement in and out of government from your institution possible? Common? Would more mobility be desirable?
 - e. To what extent do you use computers? Are they readily available? What software do you use?

INTERVENTION MODELS

Without attempting to predetermine the recommendations which will emerge from the rapid assessment, it may be helpful to have in mind from the outset some of the kinds of intervention that seem to have been successful in some circumstances in the past. The following is a tentative list, and additional examples would be welcome. The models are presented in two categories: long range institution-building interventions and short term interventions which may improve the utilization of existing human and institutional resources.

A. Institution-building interventions

1. PIDE, KDI, TDRI. These three development research institutes were set up independently, but closely associated with, government, with assistance from one or more outside donors and with active linkages with scholars and institutions abroad. The PIDE and KDI experiences are briefly described in the Sutton paper, pages 23 and 22 respectively. HIID and its predecessor, the Development Advisory Service, were involved in each case. The institutes conduct high quality research and engage in little if any formal training.
2. ECLA. Under the leadership of Raul Prebisch, this regional UN economic commission trained more than 6000 people and provided economic planning assistance to a number of Latin American governments in the 1960s and 1970s. It also served as a regional reservoir of economists out of favor or sympathy with their own governments. (see Sutton p 16)
3. INCAE. This Central American institute, combining management training for both public and private sectors, serves many small countries and hence may have special relevance for Africa. It was founded with AID support (Sutton p27).
4. El Colegio de Mexico. This was a literary and humanistic research center that expanded into economics and demographic studies in the mid-60s with assistance from Ford, UNESCO and the Mexican Government. It offers graduate training only. (Sutton p26)

5. **The RF university development program.** The Rockefeller Foundation invested major resources in strengthening the social sciences in Africa in the 1960s and 70s, including support for the Institute of Development Studies and Nairobi and the Economic Research Bureau at Dar es Salaam. RF stressed long-term staff development, with the temporary appointment of expatriates, and supported applied research. (see Steedman pp 22-24; we are also tracking down a case study put out by RF in 1982 on its experience in strengthening social sciences and public policy in developing countries, and papers pertaining to a proposal, rejected by its Board, for establishing an African institute for international economic policy.)

B. Improved utilization of resources.

1. **Sectoral tools courses.** Dick Goldman's annual workshops on food and agricultural policy analysis are good examples of the kind of sectorally oriented courses that can in time provide a common approach to gathering and using data for policy purposes in many countries of the region. Other workshops offered by HIID in the fields of banking and monetary policy, budgeting in the public sector, investment appraisal, and educational policy could also perhaps be offered with a regional orientation.
2. **Policy implementation projects.** Graham Glenday's tax reform implementation project in Malawi is an example of a project bringing to bear expertise to upgrade an important set of policy implementation instruments, the taxation system of Malawi. The project involves making changes in the structures of the income, customs, sales, and excise tax systems; upgrading the policy-making capability; improving administrative systems; computerizing parts of the tax system; and providing short- and long-term training. Similar projects could presumably be focused on the budgeting system, the statistical services, and other instruments of economic management.
3. **Seminars or workshops on policy processes.** African governments would surely not welcome donor prescriptions for policy formulation, but they might be interested in participating in seminars or workshops where the experience of governments in organizing and utilizing economic information and analyses are shared and discussed. Resource people could include past members of the US Council of Economic Advisers.
4. **Strategies for technical assistance.** The Bank notes that there are more expatriate advisers in Africa today than were present at independence, and it seems clear that advisers will continue to be an element in the process of formulating and implementing economic policies for some time to come. Our report could examine alternative ways to use expatriate advisers, such as the binational working groups used by HIID in the Overseas Training Office in Indonesia. CPIS could be an example of an innovative way to use expatriate advisors for research and analysis on program implementation, as well as an example of longer term operational research capacity development.
5. **Pooling of resources to ensure long term commitment.** The Technical Assistance Pool in Kenya provided long term support to the research department of the Ministry of Agriculture using funds from several sources.

**X. APPENDIX C
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