

African Development Bank



Economic Research Working Paper Series

Public Sector Management in Africa

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Economic Research Working Paper No 82 (November 2005)

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Public Sector Management in Africa

Joseph R. A. Ayee*

Abstract

Even though the public sector in African countries was expected to spearhead socio-economic development to reduce poverty, it has proved largely ineffective in performing this task. Some of the reasons for this ineffectiveness are excessive politicization, lack of accountability and representation, inability to promote the public interest and authoritarian tendencies. The ineffectiveness has led to the call for a redefinition of the role of the public sector. As a contribution to the debate over the proper role of the public sector and how it has coped with the New Public Management reforms, this paper assesses the state of public sector management in Africa by focusing specifically on the strengths and challenges facing the state and its bureaucracy in relation to socio-economic development and how the challenges can be addressed.

Some of the issues the paper examines include:

- the existing and/or evolving theoretical paradigms and their relevance to the public sector management;
- the inability of the African state to promote development in comparison to the Asian “developmental” state;
- various public sector reforms (civil service, decentralization, privatization, deregulation, co-production, public-private partnerships, judicial, tax) initiated to improve state capacity and their outcomes;
- the effectiveness of strategies implemented to promote accountability and minimize corruption; and
- the issues and problems in aid management and coordination in Africa.

In addition to these issues, the paper also highlights possible policy options for the future and their relevance in addressing the challenges facing public sector management.

Résumé

Le secteur public des pays africains qui devait servir de fer de lance au développement socioéconomique pour réduire la pauvreté, a été totalement incapable d’assumer cette tâche. Cette inefficacité s’explique en partie par la grande politisation, le manque de responsabilisation et de représentation, l’incapacité à promouvoir l’intérêt public et les tendances autoritaires. L’inefficacité a conduit à la nécessité de redéfinir le rôle du secteur public. A titre de contribution au débat sur le rôle approprié du secteur privé et la manière dont il s’est adapté aux réformes de la nouvelle gestion publique, ce document évalue l’état de la gestion du secteur public en mettant particulièrement l’accent sur les avantages et les défis qui se posent à l’état et à sa bureaucratie par rapport au

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développement socioéconomique ainsi que la manière dont ces défis pourront être relevés.

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Joseph R. A. Ayee*

Résumé (conclu)

Certaines des questions examinées dans le document sont les suivantes :

- Les paradigmes théoriques existants et/ou nouveaux ainsi que leur pertinence par rapport à la gestion du secteur public ;
- L'incapacité des états africains à promouvoir le développement par rapport aux états asiatiques ;
- Plusieurs réformes du secteur public (fonction publique, décentralisation, privatisation, déréglementation, coproduction, partenariats secteur public-privé, système judiciaire, impôt) ont été entreprises pour améliorer la capacité des états ainsi les résultats obtenus ;
- L'efficacité des stratégies mises en œuvre pour promouvoir la responsabilité et minimiser la corruption ; et
- Les questions et problèmes de gestion et de coordination de l'aide en Afrique.

Outre ces questions, le document met aussi en exergue les options de politique éventuelles pour l'avenir et leur pertinence par rapport aux défis à relever en matière de gestion du secteur public.

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Chapter 1: Introduction

With the attainment of independence by most African countries in the late 1950s and 1960s, the public sector is generally regarded as the pivot that will promote socio-economic development. The basic function of the public sector, which comprises a number of institutions for the making and implementation of decisions with regard to interests of various kinds, was to provide goods and services to citizens based on “realization and representation of public interests and its possession of unique public qualities compared to business management” (Haque, 2001: 65). However, the public sector was not able to perform its function effectively because of its “accumulation of excessive power, lack of accountability and representation, indifference towards public needs and demands, official secrecy and inaccessibility, and role in depoliticizing the public sphere” (Garnham, 1990; Haque, 1994). This ineffectiveness coupled with the economic crises of the late 1970s and 1980s and the apparent lessons from international experience of the success of market-friendly economies have combined to produce what some scholars have referred to as the “redefinition of the role of the state or public sector” (Fiszbein, 2000: 163).

By the late 1990s the need for a market-friendly economy had become widely accepted through out Africa. It implies a reduced role for the state in national economic management. The state is instead expected to provide an enabling environment for private sector economic activities by implementing appropriate economic policy reforms and providing the necessary legal and regulatory framework. It is also expected to provide some of the social and physical infrastructure, sometimes in partnership with community based organizations (CBOs). Yet these new roles for the state are not necessarily easier and in many respects may be beyond the capacity of many developing country governments. For instance, “good governance” programs suggested by donors, may require that the state must initiate policies and programs that, *inter alia* will create a conducive political, legal and economic environment, protect vulnerable groups, improve government efficiency and responsiveness, empower people and democratize the political system, decentralize the administrative system, close the gap between the rich and the poor, encourage cultural diversity and social integration, protect the environment and uphold gender equality (World Bank, 1997; UNDP, 1995; 1997; Campbell et al., 1991; Nickson, 1995; Peterson, 1997; Collins, 2000).. These ambitious political and social goals require, at the very least, both strong political legitimacy and competent administration. Above all, if the state has to rely on non-state agencies in the private and citizen sectors to provide services which it once provided directly, then there is an enormous premium on its ability to regulate and manage public-private partnerships as well as sectors which have been fully privatized (Batley, 1996).

Against this background, this paper assesses the state of public sector management in Africa by focusing specifically on the strengths and challenges facing the state and its bureaucracy in relation to socio-economic development and how the challenges can be addressed. Six broad sets of questions are addressed:

- What are the existing and/or evolving theoretical paradigms and how relevant are they to public sector management in Africa?
- Why has the African state not succeeded in promoting development in comparison to the Asian “developmental” state?
- What were the various public sector reforms (civil service, decentralization, privatization, deregulation, co-production, public-private partnerships, judicial, tax) initiated to improve state capacity and what were their outcomes?
- How effective were the strategies implemented to promote accountability and minimize corruption?
- What were the issues and problems in aid management and coordination in Africa?
- What are the possible policy options for the future and how relevant are they in addressing the challenges facing public sector management?

Chapter 2: Theoretical Issues

A number of theories have emerged which in one way or another influenced most of the initiatives implemented under public sector management in Africa. They include the New Institutional Economics, public choice, development theory and the New Public Management (NPM). The tenets of these theories, their advantages and weaknesses as well as their relevance to public sector management in Africa are discussed in the following paragraphs.

2.1 New Institutional Economics (NIE)

The new institutional economics (NIE) or the neo-institutional economics or the new economic theory of the state is based on the assumption that various stands in modern economics prefigure the development of a theory of institutions that is highly relevant to the interpretation of the public sector (Williamson, 1986; Hodgson, 1988; Eggertson, 1990; Stiglitz, 1987). The theory argues that political institutions may be chosen rationally by means of deliberations about which rules are appropriate for the patterns of interaction in society. Instead of treating institutions as given, NIE attempts to endogenize what has traditionally been regarded as exogenous (Lane, 1993; Weiner and Vining, 1996). NIE involves two theories, namely, (i) *agency theory*; and (ii) *transaction cost theory*.

2.1.i Agency theory

The theory formalizes assumptions about the distribution of property rights and information in the writing of contracts that define organizations. Organizations can be viewed as collections of explicit and implicit contracts, typically covering periods of longer duration than single transactions and generally characterized by the incomplete specification of all contingencies. Agency theory deals with the design of these contracts. In particular, it focuses on the relationship between principals and agents who exercise authority on their behalf. Whenever human interaction involves considerable transaction costs due to the inter-temporal nature of the interaction as well as the complexity of the agreement involved, principal-agent problems arise (Stiglitz, 1987).

The principal-agent relationship is constitutive of state institutions, in particular public policy-making in democracy. Public policy or the making and implementation of policies in the public sector involves the problems of typical principal-agent relationships within the private sector (Lane, 1993). In the policy process and the implementation stages there is the typical attempt of the population as the principal to monitor the efforts of politicians and bureaux as the agents to live up to the terms of the contract agreed upon.

The principal-agent theory argues that principals must solve two basic tasks in choosing their agents. Principals must select the best agents, whether employees or contractors (or, for that matter, other third parties who serve as agents), and create inducements for them to behave as desired. Principals must also monitor the behaviors of their agents to ensure that they are performing their tasks well. There are, however, two problems that face the principal in choosing his agent. First, the principal can never know everything about an agent. A supervisor can examine a potential employee's education, skills and personality, and background, but he or she can never be sure of selecting the best person for the job. Potential employees will know more about their own qualifications than potential employers can ever learn. As a result, employers tend to hire lower quality applicants than desired. This is called "adverse selection" problem. Second, the principal can never be sure of knowing the full details of the agent's performance (Arrow, 1985). There are always signals about an employees' performance, such as reports, complaints and direct observation, but the employer can never know the full story. Principals are thus typically at an information disadvantage with respect to their agents, and agents therefore have an incentive to work to less than their capacity, since they know that performance inadequacies may not be detected. This is referred to as the "moral hazard" problem. Put together, the two problems explain why control by managers of organizations is difficult (White, 1985).

The principal-agent theory has a number of advantages. First, it is a method for dealing with the transaction costs that arise in collective action. Consequently, the emphasis of the theory where the outcome of the activities of the agent depends on the effort of the agent and an unobservable random variable, allows us to analyze a number of policy problems within an integrated framework, such as institutional choice (Lane 1993: Weiner and Vining, 1996). Second, public activities by means of the state result in a double principal-agent relationship in a democracy. On the one hand, there is the relationship between the population as the principal and its agents in their capacity of rulers of the population. On the other hand, the rulers may wish to employ a staff to be active in the implementation of the wishes of the rulers, which entails that the latter become the principal of the former. The double principal-agent relationship between the electorate, government and administration is more relevant than the distinction between politics and administration (Lane, 1993).

The relevance of the principal-agent theory, however, does not explain several important administrative issues for a number of reasons. First, while the market approach produces interesting insights, market metaphors in the public sector often produce distortions because the "markets" themselves have imperfections. On the supply side, government

often has relatively few choices in purchasing services. From the maintenance of law and order to the provision of basic amenities, government rarely can call on more than a few suppliers. These suppliers enjoy a near-monopoly in the market, and as purchaser the government must solve all of the problems that exist in monopoly markets. Even in such mundane services, such as the collection of garbage, the number of potential contractors is often deceptively small (Lynn, 1987; Ayee, 1994).

Second, the market is further distorted on the demand side because, for some items, government is often the only purchaser. For instance, farmers in Ghana are not allowed to sell cocoa, the mainstay of the economy, to anyone but the government. The so-called strategic sectors of the economy, like water, electricity, mining and acquiring arms and ammunition, in most African countries are the monopoly of the central government.

Third, the principal-agent theory does not adequately recognize the role that power plays in organizational (or, more broadly, in political) life (Perrow, 1986: 230-1). Because it is based on market behavior, it assumes relationships among equals with principals and agents each seeking to develop an acceptable exchange. It thus neglects what Parsons (1960: 41) calls “the central phenomenon of organizations”. It also neglects the considerable complexity in the environmental of agencies and the many cross-cutting political pressures on administrators. The mathematical models could theoretically capture these additional complexities, but it is unrealistic to think that the full range of power relationships facing public administrators could be modeled in equations (Ayee, 1994).

Four, organizational goals are far more dynamic and evolutionary than the relatively static principal-agent model tends to capture (March and Olsen, 1989: 66). Member of the legislature, for instance, may frequently change their minds about which goals administrators should emphasize, and administrators themselves must set priorities among the often evolve in collaboration between principals and agents. Decentralization policies, for example, are frequently modified as governments and organizations learn more about what works and what does not. In intergovernmental grant programs, also, it is difficult to recognize who is the principal and who is the agent. Different levels of government take different responsibilities for different pieces of the same program. The relationship here is one of exchange than of constitutional collaboration. While dynamic goals theoretically are possible to the model, they move far beyond the static principal-agent theory and enter into a realm of enormous complexity (Ayee, 1994).

Finally, the principal-agent structure of the state is characterized by ambiguity, opportunistic behavior, moral hazard and adverse selection. The fact that democratic state institutions rest upon a principal-agent structure in no way prohibits the agent from reversing the relationship and regarding itself as the principal. No benevolent assumptions have to be made about the conduct of state activities. The possibility of reversing the principal-agent structure of the state, having the population serve the interests of the state, makes it all the more urgent that institutional mechanisms to be found that limit the range of opportunistic behavior as well as the dangers of moral hazard and adverse selection. However, there are transaction costs involved in restricting

the degrees of freedom of the agent. Within any institutional setting there are bound to be serious problems of ambiguity about the rewards to be given to the agent, about the desired actions to be taken by the agent, about the causal link between actions and outcomes, as well as about the actual state of the environment of public policy (Lane, 1993).

2.1.ii Transaction theory

Williamson (1985) has pointed out that like the agency theory, the focus of transaction cost theory is the contract. But unlike the agency theory, which usually treats agents as simply reacting to contracts designed by principals, transaction cost theory views the parties attempting to engage in exchange (a transaction) as contracting both the terms of the exchange and their execution. The theory focuses on the role of the state in defining the basics of contractual arrangements, which depend on existing technologies and natural endowments. As technologies or endowments change, a process is initiated toward new contracts in which the state may play a profound role in minimizing transaction costs by institutional innovation. The prevailing structure of interests not only enter public institutions as the building blocks of public decision making and implementation. Interests also affect the derivation of public institutions prior to on-going policy-making. Institutional arrangements in the public sector may constitute so-called structure-induced equilibria which may be changed rationally, contrary to what the sociological version of institutionalism implies (Lane, 1993).

The contracting process is costly. It includes not only the structuring, monitoring, bonding, and residual loss costs of agency theory but also the costs of negotiation. At one level, transaction cost theory considers the nature of specific types of transactions. At a broader level, it is concerned with which institutional arrangements best facilitate and economize which kinds of transactions (Williamson, 1985; Weimer and Vining, 1993).

Three important problems contribute to the costs of contracting: (i) a “cooperation problem” arising when a contract could offer all parties gain relative to the absence of a contract. To achieve a mutually beneficial contract, however, the parties must expend transaction resources that include the prerequisites for negotiating and enforcing contracts; (ii) a “division problem” which arises when different mutually beneficial contracts offer different relative gains; and (iii) a “defection problem” which arises when non-compliance is in the self-interest of any of the parties (Heckathorn and Maser, 1987)

Weimer and Vining (1993) have pointed out that transactions involve investments by one or more of the parties in specific assets, such as specialized equipment or knowledge, that have much lower value in uses other than as part of the transaction. Parties who invest in specific assets are especially vulnerable to threats of compliance. Therefore, they may be unwilling to enter into contracts unless they receive credible commitments that other parties will not behave opportunistically in exploiting their vulnerability. One of the central questions of political economy is how governments can make credible commitments to convince people that their investments will not be appropriated and that the money supply will not be debased (Blackburn and Christensen, 1989).

The concept of transaction costs is not a very clear one. It remains as a kind of residual: all the expenses made in order to reach a contract, whether they be personal or social. Could one measure the reduction in transaction costs by moving from a system of individual contracts to a hierarchy like the firm or the bureau? What should be included when government is said to have minimized transaction costs by reforming an institution like property rights or local government structure? (Lane, 1993).

2.2 Public Choice Theory

The public choice theory is a strong variant of the rational choice theory. The theory is concerned with the provision of so-called public goods, goods that are delivered by government rather than the market, because, as with clean air, their benefit cannot be withheld from individuals who choose not to contribute to their provision. It assumes that political society is composed of self-interested individuals who coalesce into organized interests. Interest groups, which tend to form around relatively narrow issues of special importance to their members, are created by individuals seeking specific self-interested goals. Individuals join with other self-seeking individuals to acquire access to public resources (Grindle and Thomas, 1991). In short, at the heart of the public choice theory is the self-interest maximization hypothesis.

Four principles underline the public choice theory. They are: (i) Public sector actors or officials behave as if they maximize their own interests; (ii) All social entities are fundamentally sets of individual actors; (iii) Political interaction is to be based on voluntary exchange; (iv) Politics as voluntary exchange requires the making of an economic constitution that is to guide the relationship between the state and the individual; (v) Citizens provide rulers or the state with resources and power for which they expect a return of goods and services as well as laws regulating society that matches what they are giving up (Buchanan et al., 1978; Buchanan, 1987; Lane, 1993).

The public choice model is important of a number of reasons. First, it offers a coherent explanation for seemingly non-rational decision making by governments. Why should governments adopt public policies and programs which are harmful to society? The solution to the problem is to closely limit the activities to fall under the regulatory power of the state. Second, it explains why “the public interest” is not achieved. Third, by focusing on the power of vested interests, it demonstrates the barriers to reform that area created by pre-existing policies and by the political relationships that they engender. In so doing it explains why existing public policy as the result of an inevitable rationality of rent-seeking (Lane, 1993; Grindle and Thomas, 1991). It provides an explanation for the willingness of public officials to respond to the pressures and imprecations of lobby groups and other types of special interests. It also provides an explanation for policy choices that are detrimental to society as a whole over both the shorter and the longer term and offers a way of understanding the constraints on policy change that develop over time.

In spite of its relevance, it is limited for the following reasons:

- It is much less able to explain how policy changes or how policy itself can lead to broadly beneficial outcomes. There is then little room for public officials who adhere to particular ideologies, whose professional training provides them with independent judgment in the analysis of policy issues, or who may adopt goals that transcend the interests of any particular group or coalition groups. Instead, policy elites are creatures of vested societal interests, however, much they seek to work these to their individual rent-seeking advantage, and their actions –devoid of ideological or technical content – can be explained by motivations to maximize political support;
- It is not able to explain how, why, or when reform occurs, except through events or appearance of wise statesmen or technocrats who, for unexplained reasons, exhibit behavior that is politically irrational;
- Though it indicates the importance of the power-seeking motivations of decision makers, it tells us little about how their motivations are developed or altered over time (Grindle and Thomas, 1991; Lane, 1993; Turner and Hulme, 1997)

2.3 Development Theory

Development is regarded as multi-dimensional process that seeks to reduce poverty and inequality, expand the real freedoms that people enjoy, accelerate economic growth, and renewal of social structures, popular attitudes and national institutions (Todaro, 2000; Bryant and White, 1982). Indeed, a central part of the exercise of development is to overcome problems such as the “persistence of poverty and unfulfilled elementary needs, occurrence of famines and widespread hunger, violation of elementary political freedoms as well as of basic liberties, extensive neglect of the interests and agency of women, and worsening threats to the environment and to the sustainability of economic and social lives (Sen, 1999: xi). Issues and problems of development have confronted all African countries since independence. Apart from various policy prescriptions, a number of perspectives have emerged. They include: (i) the economic perspective of development, (ii) the dependency perspective, (iii) the basic needs perspective, and (iv) the development administrative perspective.

2.3.i. The modernization/economic perspective

Development was seen as an evolutionary process in which countries progressed through an identified series of stages to become modern. This perspective dominated development thinking during the post Second World war period. It became almost an integral part of the post World War II orthodoxy in economic thinking to say that “underdeveloped countries are held down very firmly by a circular constellation of forces to their low income equilibrium from which they can be jerked only by a concentrated large-scale development effort; by a big push of heroic dimensions” (Myint, 1965: 11). The only strategy that could bring about this big push was considered to be a high rate of growth and industrialization leading to a high rate of growth in per capita income. This view further refined by “accounting concepts stemming from Harrod and Domar transformed development to a process of growth resting on a few quantifiable variables” (Currie, 1978: 2). The idea of big push was further strengthened by W.W. Rostow’s theory of

stages of economic growth and the idea of “take off”. The take-off being closely linked with maximization of the rate of growth (Rostow, 1959). Development seen as economic growth, measured by aggregative instruments such as product or income per capita, that, is Gross National Product (GNP) and Gross Domestic Product (GDP). The benefits of GNP and GDP will “trickle down” to the less fortunate (Bryant and White, 1982).

Thus view of development gained wide currency because it was in accord not only with the popular notion of the underdeveloped country but also corroborated with the prevalent social science theories and formulations. In both cases an underdeveloped society was looked upon as a “closed traditional society, stagnating in primitive isolation” (Myint, 1965: 11). The prevalent dogma in sociology was the Parsonian variable approach which characterized underdeveloped societies as ascriptive, particularistic and functionally diffuse. The process of economic development consisted in transforming this pattern of social behavior into a pattern characterized by achievement, universalism and functional specificity (Parsons, 1951). An underdeveloped society thus suffers from a lack of social and geographical mobility, a lack of division of labor, emphasizes status rather than achievement and consequently leads to low productivity (Islam and Henault, 1979).

By the late 1960s, however, scholars and development theorists, realized that the modernization perspective with its emphasis on economic growth had failed. This is because of increased poverty, growing indebtedness, political repression, economic stagnation and more inequality in African countries. The modernization perspective is an oversimplified model of development that lacks two essential ingredients: (a) an adequate historical input and a structural slant. Historically, it is ethnocentric and ignores a wealth of evidence, which indicates that the process of economic growth cannot be encapsulated in simplistic notions about the displacement of “traditional values systems and institutions by “modern” ones. Structurally, the perspective is insensitive to the specific ways in which factors for economic growth such as the introduction of new technology or markets may be interpreted, or modified or accommodated, within existing social relations. In addition, the inequalities of power and social class that structure these relationships are virtually ignored (Webster, 1984).

The variant of the modernization perspective that has come under attack is GNP per capita, which has been seen as an unreliable indicator for measuring development for three reasons: (i) it consists of national averages which in themselves say nothing about the distribution of resources among the population; (ii) it omits certain activities (like work of domestic laborers, work of families in producing food for their own consumption and the illegal and informal activity of the economy that occurs in every country in the form of corruption); (iii) development cannot be measured in straightforward quantitative money terms. To understand development in terms of bald GNP terms is to ignore the way in which the value it represents is distributed among members of society. In short GNP does not measure items that are important to welfare in most societies such as the distribution of income and wealth, employment status, job security and opportunities for advancement and availability of health and education services (Webster, 1984).

In spite of its weaknesses, the modernization perspective relevant to African countries because it is right to focus our attention on the role of values and attitudes in affecting people's behavior and thereby their response to and fashioning of social change. Since the values and attitudes that people in Africa draw on do not necessarily express the ambitions of "achievement", they may well on "traditional" values as repositories of some security and, at the same time, the values of "nationalism" and perhaps "self-reliance" as the resources of social change (Webster, 1984).

2.3.ii. Dependency perspective

The dependency perspective originated in the 1960s through the work of a number of academics and development economists. They dismissed the notions of the modernization perspective that a lack of development could be attributed to a deficiency in appropriate modernizing values and exposure to developed countries could only be of positive benefit to the developing countries. Instead they argued that massive and persistent poverty in developing countries was caused by exposure to the economic and political influences of the developed countries (Frank, 1971; Rodney, 1972; Amin, 1972). Underdevelopment is considered a process whereby colonialism arrested the normal growth of the colonized countries of Africa. The process transformed the agriculture, which was a source of feeding people in these countries, to a subdivision of the agricultural system of the metropole. Thus, the colonies began producing cash crops – cocoa, cotton, rubber, peanuts, tea and palm oil – the raw materials and consumption goods for the industrialized metropole. This was achieved by force, taxation, direct plantation, marketing boards and low prices (Rodney, 1972).

To the dependency perspective, underdevelopment is a function of dependence. A widening gap between the center (the US, Western Europe, Japan and the then Soviet Union) and the periphery (developing countries) is responsible for the crisis of development. Rather wage increases and apparent socio-economic stability in the center could be maintained only at the cost of workers and peasants in periphery (Frank, 1971). The problem of underdevelopment could only be resolved by a global redistribution of the surplus and a fundamental change in the productive relations within the periphery itself (Cohen, 1973).

Dependency view of development places a great deal of emphasis on external factors. Underdevelopment is a result of the dependence of African society on that of the advanced countries and this phenomenon is replicated by internal colonization with a dependent country. Dependence theorists believe that the impact of external factors is essentially negative and growth in the periphery is a function of the expansion in the center. Thus it is geared to the needs of the developed rather than developing countries. They argue that the functioning of international trade and finance frequently places developing countries at the mercy of factors beyond their control. Consequently, they emphasize the importance of social and political structures in society. They hold that international forces work to create "structures of poverty" – institutions that respond to the priorities of the advanced countries and in so doing reinforce the poverty and dependence of developing countries (Frank, 1971). The only way of stopping the

exploitation and therefore promoting development is to break the chain of dependency by which it is transferred through a working class revolution.

The relevance of the perspective to public sector management can be seen in its political implications, which are as follows:

- It draws our attention to the different interests at stake in African countries and the antagonisms between them. The benefits of growth do not spread throughout the economy as the modernization theory made us to believe. More importantly, there are conflicting interests in society, those with power use growth to promote their own interests. Terms of trade, choices about what to produce, and patterns of investment all strengthen the interests of certain groups in the society at the expense of others. A nation is not just a single national entity; it is composed of many and often conflicting interests (Hyden, 1983; Leys, 1975).
- It affords a different understanding of the potential oppressive role administration can, and sometimes does, play. The inefficiency and arbitrariness prevailing in African bureaucracies can sometimes reduce the poor to an increasingly marginal existence.

In spite of this relevance, the main weakness of the dependency perspective is that in this age of globalization with emphasis on interdependence, the concept of “dependency” is much too vague to be of use, failing to clarify sufficiently the use in which African countries are dependent on the developed countries. It gives one a circular argument, that is, dependent countries are those which lack the capacity for autonomous growth and the lack this because their structures are dependent ones (Webster, 1984).

2.3.iii. Basic needs perspective

A new economic thinking as a result of the World Bank-International Labor Organization (ILO) and dependency perspective which appeared in the early 1970s is the basic needs orientation to development, which demands a new international economic order. At the heart of this approach lies a desire for social justice and welfare based on a concern that the material resources of a society should be distributed more evenly throughout the population. This includes all the assets or resources of the society, including public goods (government funded services such as hospitals and schools) and capital for investment in agricultural and industrial enterprise (Webster, 1984). In other words, development is defined in terms of fulfillment of basic needs: hunger, malnutrition, health care, disease, clean water and shelter. It is considered a better strategy than improving income because often consumers are not optimizers and may not spend this income on their basic needs.

The rural sector of the economy has become the major focus for development: direct provision of services for basic needs, indirect satisfaction through creation of employment, development of agriculture using labor intensive strategy, decentralized planning with inputs from the grass roots (Islam and Henault, 1979).

The perspective is a step towards a balanced urban-rural development and can discourage the rural-urban migration. In the long run, therefore, it can lead to increased production.

The problem about it is that it is very expensive and the constraints of cost alone limit the speed with which the perspective is implemented. It seems also impractical on a large scale for governments in Africa because of acute financial problems that faced them. Indeed, it has been observed that a country would cease to be underdeveloped as soon as it is in a position to provide all the basic amenities available to both urban and rural dwellers.

2.3.iv. Development administration perspective

Development administration (DA) was coined in the mid 1960s to play a major role in facilitating development in developing countries. This is the result of the identification of administration as the primary obstacle to development rather than economic (Stone, 1965). DA is seen as a practical application of the modernization theory and seen as the “midwife for Western development – creating stable and orderly change” (Dwivedi, 1994: 4-5). DA is an American and European administrative tradition rooted in scientific management, the experience of the Depression and World War II and the ultimately the Marshall Plan for the reconstruction of Europe provided the background against which development engineering was conceived (Riggs, 1970; Esman, 1988).

DA is used to emphasize the focus of attention on the building and improvement of a public administration system as part of the total effort of national development. It covers both the *administration of development*, that is, public administration as an instrument of national development and the *development of administration*, that is, measures to enhance the administrative capacity for development (UN, 1975).

By the late 1960s and early 1970s the features of development administration were found to be not conducive for development. Indeed, the ‘blame for poor developmental performance was in large part attributed to the failure of development administration’ (Turner and Hulme, 1997: 13). In addition, scholars began to focus more closely on the environment in which administration is practiced and the origins and maintenance of its ideological support and the alternative forms of organizational approach to development (Dwivedi and Nef, 1982). Development administration was not only in “deadlock” (Schaffer, 1969) but also in “crisis” (Dwivedi and Nef, 1982), which called for a reformulation of the features of DA into its contemporary themes (see Esman, 1988 for details).

This perspective is relevant to public sector management in Africa for two basic reasons. First is its premise that public administration is an indispensable instrument of economic and social development. Second, it has a realistic set of expectations about the process of development and the potentialities of the public sector in African countries. Third, it is built around a set of problems and can be viewed as an instrumentality of the development process. Fourth, it allows for the study of issues such as privatization, the efficacy of the market, popular participation and the role of non-governmental organizations. Fifthly, it emphasizes the environment within which administration is practiced by focusing not only on the relations between bureaucrats, politicians and organizations but also power and politics (Turner and Hulme, 1997; Riggs, 1964; Swerdlow, 1975).

2.4. New Public Management

The New Public Management (NPM) perspective is often associated with positive, action-oriented phrases like: reinventing government, re-engineering, revitalization of the public service, organizational transformation, total quality management, paradigm shift, entrepreneurship, empowerment, results over process, downsizing, now rightsizing, lean and mean, contracting out, off-loading or outsourcing, steering rather than rowing, empowering rather than serving and earning rather than spending (Frederickson, 1996). The NPM captures most of the structural, organizational and managerial changes that took place in the public services in OECD countries like the UK, New Zealand and Australia in the late 1970s. It is seen as a body of managerial thought or as an ideological thought system based on ideas generated in the private sector and imported into the public sector (Hood, 1991; 1995). The NPM shifts the emphasis from traditional public administration to public management and pushes the state towards managerialism. The traditional model of organization and delivery of public services, based on the principles of bureaucratic hierarchy, planning, centralization, direct control and self-sufficiency, is apparently replaced by a market-based public service management or “enterprise culture” (Larbi, 1999; Walsh, 1995; Hood, 1991).

The doctrinal components of NPM have been expanded upon and have evolved since the 1990s. For example, the core ideas of the United Kingdom’s Citizens Charter initiative, launched in 1991, added a consumerist dimension to public management. The Citizens Charter brought the issue of consumers to prominence and has since become a key feature of most of NPM discussions (Hood, 1991).

The key components of the NPM may be divided into two strands. The first strand consists of ideas and themes that emphasize managerial improvement and organizational restructuring, that is, managerialism in the public sector – these clusters of ideas tend to emphasize management devolution or decentralization within public services. The second strand contains ideas and themes that emphasize markets and competition. These strands, it must be pointed out, overlap in practice. They should therefore be seen as a continuum ranging from more managerialism at one end (for example, decentralization and hands-on professional management) to more marketization and competition at the other, for example, contracting out (Gow and Dufour, 2000; Walsh, 1995; Larbi, 1999).

The relevance of the NPM to public sector management can be found in four main areas: (i) decentralizing management, disaggregating and downsizing of public services; (ii) performance contracting, which has become an instrument to reform state-owned enterprises (SOEs); (iii) contracting out of the provision of public services is part of efforts to reconfigure state-market relations in order to give more prominence to markets and the private sector; and (iv) the introduction of user fees or charges, which is one of the major developments in the provision of public services under structural adjustments programs (SAPs) if privatization is not being pursued.

A number of institutional constraints and capacity issues have been identified in the application of the NPM in African countries. Generally, the capacity concerns include the ability to manage a network of contracts, the development of monitoring and reporting systems, and the difficult governance and institutional environment which may constrain implementation capacity. With decentralizing management, the constraints include unreformed institutions, such as centralized public service commission regulations and treasury expenditure controls, which prevent managers of decentralized units from having control over operational inputs. In general, there is a reluctance in most central control agencies to devolve budgets and financial control partly for fears about financial accountability and partly because of the stringent regime of expenditure controls associated with the introduction of SAP. The main constraints with performance contracting are governments reneging on their commitments and the assumption that there is the existence of an efficient market and private sector capacity to undertake activities to be contracted out. (Larbi, 1999; Gow and Dufour, 2000).

Chapter 3: Review of the State and Economic Development in Africa

The role of the state in national and regional development cannot be adequately discussed without reference to the impact of colonialism. At the political/administrative level, Wunsch (1995) and Herbst (2000) have demonstrated how colonial policy, irrespective of the colonial power, has left a legacy that created conditions to foster the development of highly personalized and leadership-dependent political systems prevalent in African countries. Colonialism resulted in social fragmentation, economic backwardness and international vulnerability. When African leaders viewed these circumstances they reacted almost as a body by concluding that a massive, coordinated and nationally led attack on underdevelopment was necessary to bring growth and poverty reduction. Given the array of challenges and problems they faced, African leaders' identification of capitalism with European colonialism led many to espouse socialism and reinforced a predictable orientation to centralized development (Lewis, 1998; Chazan et al., 1999).

Furthermore, a strong central government was also regarded as essential to national unity and modernization of African states because of internal social fragmentation and ethnicity brought about by the policy of balkanization of the African states by the colonial powers, which ignored ethnic and cultural factors in determining national boundaries. This option to Wunsch (1995a; 1995b) was not surprising for three reasons. First, it was consistent with the structure and habits of the colonial-administrative state. Second, it was selected in an era when both Eastern and Western models of development emphasized central direction and planning. Third, it complemented the expectations of international assistance organizations for "rational" planning, management, and negotiation of assistance programs.

At the economic level, colonialism's centralizing impact can also be seen in the economic conditions most African states faced at independence. In the view of the World Bank (1981: 9):

When African states won independence ... they faced formidable constraints to development. These included underdeveloped resources, political fragility, insecurely rooted and ill-suited institutions, a climate and geography hostile to development, and rapid population growth.

In addition, colonialism reinforced centralism and elitism in the physical and human legacies it left. The administrative and supporting infrastructure: administrative headquarters, educational facilities, public utilities, consumer goods and communication facilities, was generally concentrated in a single city.

The colonial legacy of administration and governance gave birth to the following five complementary strategies, which were pursued by African leaders after independence and thereafter until the 1980s, when structural adjustment programs and their conditions made them inapplicable:

- Replacement of competitive politics by one or no-party systems ostensibly dedicated to national unity;
- Reliance upon unified bureaucratic structures exclusively accountable to the central government to define, organize, and manage the production of public goods and services along lines determined at all levels by a “national plan”;
- No legitimate significant role to be allowed for local government, including traditional, ethnically related groups as well as modern institutions of true local government;
- Executive authority to be maximized at the expense of such other institutions as the legislature, judiciary, regional governments, and press and private organizations; and
- The national budget to be regarded as the primary source of funding for the development agenda, and to be raised out of the largest economic sectors: either agriculture or mineral extraction (Wunsch, 1995b).

The present-day African countries were created by colonial governments, who often ignored ethnic and cultural factors in determining national boundaries. Colonially demarcated boundaries arbitrarily brought together diverse peoples within a single colonial territory. Under colonialism, ethnic and cultural feelings were stimulated, even sharpened. Administrative areas were often based on ethnic lines. Also social and economic change was uneven. Some regions produced cash crops and mineral products while others lacked major natural resources. Mission schools proliferated in some areas while others received little exposure to Western-type education. At independence, African countries lacked a national identity, partly because colonial policy did much to strengthen ethnic, as opposed to, national consciousness, and partly because the countries were too recent in existence to elicit a sense of common nationhood (Tivey 1981).

The legacy of colonialism has very important implications for African leadership. Colonialism was an alien imposition on African societies, authoritarian by nature and usually distant from its subjects. At the same time, colonial administration was often thin on the ground, and there was not an intensive bureaucratic presence in many of the territories. While colonial authorities did exercise stable rule and provided some basic

public goods, they were seen by their subjects as illegitimate and predatory (Chazan et al., 1999).

The colonial inheritance created basic problems for the establishment of effective governments during the post-independence period. African leaders faced manifold difficulties in gathering stable governing coalitions, fostering durable institutions, and extending substantial control over the mass of their populations. The emergent governing formulas typically blended traditional modes of authority with institutional forms inherited from the colonial regime. These strategies often stabilized nascent political elites, yet they were less effective in building sound governing structures.

Consequently, the colonialism presented African leaders three formidable challenges to development. First is the project of state building. African countries have faced the difficulties of constructing effective public authority, establishing viable state institutions, and creating responsive and legitimate agents of governance. Attaining security and managing conflict are also integral features of state consolidation. Building public power requires much more than the installation of new governmental structures. Indeed, it involves the very character of relations between rulers and ruled (Chazan et al., 1999; Hyden, 1983).

A second challenge posed to African leaders is the task of nation building. Many African countries have experienced the travails of forging unified political communities from plural states. Because of the arbitrary basis of colonial boundaries, newly independent states inherited diverse populations that often became fractious as disparate groups contended for resources and identity. The difficulties of managing competition and strife among ethnic communities and promoting common symbols and identifies have placed substantial demands upon governments throughout the region (Hyden, 1983; Lewis, 1998).

A third overarching task for African leaders is economic development. The leaders have to cope with the myriad challenges of growth and structural transformation in low-income agrarian economies. They have also grappled with external dependence and a marginal position in world markets, where their commodity prices are subject to fluctuations over which the leaders do not have any control or input. The leaders have pursued various programs without much success to promote a diversified productive base and to make inroads against poverty and inequality (Lewis, 1998; Chazan et al., 1999; Ayee, 2001).

Two strategies of administration and governance have emerged in Africa since independence, which have run counter to the ideals of the Asian developmental state. They are political and personal concerns of the leaders and neopatrimonialism. These strategies have made African leaders to pursue short-term destructive policies and programs, especially in the economic sector, which have not promoted development (van de Walle, 2003).

Unlike Asian state elites of the same period who are perceived as having been strongly oriented towards developmental goals, African post-independence elites appear to have been motivated much more by political and personal concerns than by economic and social development. After independence, the African leaders were concerned with the twin objectives of staying in power and building an economic base for themselves. Wanting to hold on to power was not simply a lust for power. Many of the triumphant nationalist leaders saw themselves as “unique liberators of their people who deserved unlimited tenure to rule their newly independent countries” (Tangri: 1999: 9). But power also brought with it many opportunities for attaining wealth in an African context of extreme scarcity and poverty as well as limited private accumulation. To be in key administrative and political positions was to have access to the major means of acquiring coveted material resources, the more so as states were accorded such a dominant role in the post-independence national economies. Through the state, top office-holders controlled extensive array of resources and could influence tier distribution and accumulation often with an eye to political advantage as well as personal gain. Other avenues to wealth, such as through the private economy, were more restricted, especially as the larger private enterprises were in non-African hands and an indigenous capitalist class was weakly developed. Thus political office in Africa assumed major significance. Not surprisingly, political power became the focus of intense struggle. Nearly everywhere, desperate struggles have ensued to attain or maintain state power. In the words of Bratton and van de Walle (1997: 119) even in the first half of the 1990s “the most common path of regime transition was liberalization without democratization”.

For those in power, diverse means have been employed to remain in power. Prime among them have been intimidation and repression of political opponents. Post-independence African governments have commonly resorted to various authoritarian means to hold on to power. Post-colonial states have resurrected the many autocratic practices of one-party systems in which a single ruler or a small oligarchy possessed almost unrestricted power. Given the weakness of civil societies, social forces have been unable to counterbalance state dominance. Centralized power as well as personalized rule prevailed in most African countries. Recent years have, however, seen some degree of political liberalization (multiparty elections, less restricted media, and more assertive legislatures) in most of Africa, but personalistic and authoritarian political practices still enable incumbent rulers to impede full political competition as well as to maintain themselves in power (Clapham, 1996; Sandbrook, 1985; Tordoff, 1985; Bratton and Hyden, 1992; Ayee, 2001).

Apart from authoritarianism, an important, non-coercive form of consolidating power has been to rely on patronage. Resources needed for effective, broad-scale development were drained away, among other reasons, to support regime efforts to consolidate power. To secure political incumbency, public benefits have been distributed and opportunities to provide provided along political lines. Thus in their quest for self-preservation, state elites have dispensed government-controlled resources – jobs, licenses, contracts, credit – to select political allies as well as mediating access to economic opportunities in favor of close associates so as to enhance their hold over state power. In Africa ethnic identities have comprised the key bases for building clientelistic coalitions. Political leaders have

allocated public resources and amenities to key intermediaries and their ethnic clienteles in ways designed to fashion a following and ensure political support. As a result, most regimes have been identified with specific ethnic and regional interests, but many have also been able to consolidate their hold on state power for long periods by promoting a relatively ethnically balanced distribution of the resources of government (van de Walle, 2003; Tangri, 1999; and Bratton and Hyden, 1992).

In order to enhance patronage resources available for distribution, Africa's new rulers "extended the scope of direct government-involvement in the economy". They "expanded the public sector of the economy" and thereby "multiplied opportunities for patronage and clientelism, and allowed regimes to channel economic resources to targeted social groups" (Boone 1992: 16 and 17). Politically, mediated access to resources and economic opportunities controlled by the state became a key mechanism of consolidating power. To be sure, the resources available to the state have, at times, markedly decreased as, for example, in the cases of Zambia and Zaire where copper prices collapsed from the mid-1970s. Moreover, the mid-1980s economic reform programs initiated by the Bretton Wood institutions have brought about cuts in state spending and reductions in the public benefits that could be exchanged for political support. Nevertheless, African political leaders have continued to use the state and its resources to maintain themselves in power. In the words of Tangri (1999: 11):

Patronage politics has been integral to post-colonial efforts to maintain political control in poor, ethnically diverse peasant societies. Yet, although valuable in helping to consolidate ruling coalitions, the dynamics of patronage relations have proved economically highly damaging.

State economic management has taken place in this special environment of governance based largely on patronage networks as well as the virtual absence of scrutiny over public resources allocation. This logic of patrimonialism has shaped the economic actions of top politicians and administrators running largely authoritarian regimes. But as Sandbrook (1985:19) notes, patrimonialism is "potentially economically destructive". In Africa, "its short-term political rationality of personal and regime survival" has generated a "variety of economic irrationalities that smother capitalism's expansive dynamics" (Sandbrook 1993: 27 and 34). Top public-sector positions, especially in the important government ministries as well as key parastatals, have often been filled by politically loyal officials. Distribution of public services and economic infrastructure is attributable to a markedly patrimonial administration (Bratton and Hyden, 1992).

It is important to note that because state institutions in Africa are fragile and command only limited public acceptance, informal networks of personal relationships emerge in society to link a relatively powerful and well-placed patron with a less powerful client or clients for purpose of advancing their mutual interests. Patron-client ties have constituted the primary means of maintaining power in Africa. In an authoritarian context as well as one in which they have rarely been held accountable for their actions, state elites have used public institutions to dispense an array of public benefits – jobs, credit, contracts, subsidies – to select clients and ethnic constituencies to build political support and consolidate themselves in state power (van de Walle, 2003; Tangri, 1999).

In large part, because of patronage-based rule, the 1960s and 1970s (and beyond) were marked by rapid growth of the political branch, the bureaucracies and state-owned enterprises (SOEs). In fact, during the 1960s, the civil service in Africa grew at a rate of 7% per annum, a rate that doubled the number of employees in ten years (Gordon, 2001). The result was that by 1970 over 60% of all African wage earners were government employees. By 1980, at least half of all African government expenditures were allocated simply to pay the salaries of government employees. Furthermore, the expansion of state owned enterprises (SOEs) during the first two decades was phenomenal. SOEs were developed to deal with a broad range of government activities. For example, SOEs were created to handle the control and marketing of agricultural products, provide banking services, run airlines and railroads, manufacture products, and manage retail stores (Chazan et al., 1999). In short, one had what one might refer to as “state capitalism” or a “maximalist state” which stood above society “not only responsible for the maintenance of law and order and major social and economic management but also in charge of the ‘commanding heights’ of the economy” (Olowu, 2003: 103).

For much of Africa, then, development of the rural areas was sacrificed to finance patrimonial states. These patronage-based systems created opportunities for all those connected to government through patron-client networks. For the elite, appointed by rulers to the highest party, administrative, and SOEs positions, state office and political influence created amazing legal and illegal advantages for personal gain. And in virtually all states, those in positions of power (and their patrons) moved to use their influence for economic profit (Young, 1988).

It is the way in which the state-based elite used their profits that is most important for an understanding of a political economy of the decline of African states. For most part, money legally or illegally secured from government position was either stashed away, or used to buy luxury import items or placed into speculative real estate development (Gordon, 2001; van de Walle, 2003). For a variety of reasons, very little investment took place in ventures that created substantial employment, boosted industrial capacity, or generally helped develop the countries (Sandbrook, 1985).

Apart from the two strategies of governance and administration, other factors both internal and external generally outside the control of the rulers also contributed substantially to Africa’s development decline and crisis. From a growth rate of approximately 1.3 % per annum in the decade prior to independence, economic growth dropped to 0.2% yearly for the period from 1965 through 1984. Between 1980 and 1985, Africa’s real gross domestic product (GDP) per capita fell an average of 2.3% annually (Elbadawi, 1996; Gordon, 2001; Chazan et al., 1999; DeLancey, 2001).

Chapter 4: Phases of Modernization of the State

The modernization of the state in Africa involves measures to improve the capacity of the state to perform its functions effectively and efficiently. It also involves a reduced role of the state and facilitating an enabling environment for development. Specifically, it involves the state shifting its own expenditures away from consumption towards investment, refocusing its attention onto core public functions (macro-economic stability, law and order), liberalization, deregulation and providing strategic social services. In other words, it means what van de Walle (2003) called the “dynamics of state retrenchment”. The modernization of state can be divided into three phases, (1) the reforms of the 1980s; (2) the reforms of the 1990s, and (3) reforms adopted after the publication of the World Development Report, 1997.

4.1. Phase 1: Reforms of the 1980s

Large scale, donor funded civil service or public sector reform programs really began in Africa with the structural adjustment programs (SAPs) of the 1980s. Between independence and the late 1970s, the main focus had been Africanization of the small inherited colonial civil services combined with rapid expansion (particularly of education services) a process aided by the former colonial powers mainly through training and technical assistance. The SAP loans of the 1980s were primarily aimed at stabilizing macro -economic crises of balance of payments and fiscal deficits, runaway inflation and currency overvaluations. For this reason, the civil service reform packages which frequently accompanied SAP loans were mainly concerned to reduce the cost of public sector employment, which was regarded as self evidently excessive or bloated, because unaffordable.

It is reckoned that in Anglophone Africa, public sector wages declined 80% in real terms between the early 1970s and the early 1980s (paralleling the general decline in GDP per capita) (van de Walle, 2001: 134). For instance, in Ghana in 1984, a top Principal Secretary earned only 2.5 times the salary of a basic clerk, although, of course, there were substantial non pay benefits (Nunberg, 1996: 146). It was during this period therefore that the familiar problems of moonlighting and absenteeism, low morale, corruption and politicization of recruitment emerged; there was little doubt that in many countries the capacity of Ministries including Finance Ministries to fulfill even basic tasks had virtually collapsed.

The solutions offered by the 1980s civil service reform programs were relatively crude; in line with neo-liberal economic policies aimed at drastically reducing the role of the state in the economy, they focused on:

- Downsizing-- retrenchments, mergers and recruitment freezes, eliminating ghost workers;
- Decompressing wage scales, trying to use savings on recruitment to pay higher salaries to higher-level managers with scarce skills.

Large amounts of aid money were allocated for this purpose; between 1981-91, the World Bank included civil service reform programs in 91 loan/credit facilities world wide, 55 of which were to African countries, either SAP or Technical Assistance loans, totaling \$2131 million (Nunberg, 1996: 122).

4.2. Phase 2: Reforms of the 1990s

The phase 2 reforms of the 1990s to some extent emerged from a limited recognition that downsizing and pay restructuring alone were not producing the desired results. Net reductions in numbers were not great, except perhaps in the former SOE sector, overall salary expenditures were actually rising and yet as one authoritative World Bank study found, the idea that retrenchments and decompressions would produce savings which would fund real improvements in salary rates for skilled staff had not worked (McCourt, 1998; Dia, 1996). This phase retained the assumption that the civil service needed to be reduced in size, but accompanied this with much more ambitious attempts at total restructuring of civil services, focusing on management systems, performance management and budget /financial management, and marketization of service delivery. As Richard Batley (1996) has shown that the changing role of government, this period of reform was nothing less than an attempt to transfer to African and other developing countries all the techniques of public sector reform which in the developed particularly English speaking countries, have come to be known as New Public Management.

The typical mechanisms for designing and implementing these reforms were the creation of high level reform agencies usually located in the Presidential or Prime Ministerial offices, deliberately intended to by pass the mainstream ministries and backed up by teams of foreign consultants and technical assistance personnel. At the same time, foreign aid flows to African countries continued to increase massively, increasing the direct role of donors and their agents in government programs especially public sector reform.

4.3. Phase 3: Reforms after the World Development Report 1997

Phase 3 of reforms has only emerged since the end of the 1990s, following on the World Bank's recognition in its 1997 World Development Report that having an effective, responsive and legitimate state was crucial for sustaining an effective market economy (World Bank, 1997). New generation programs since the millennium, although still very much within the NPM paradigm, have tended to focus on how to improve service delivery to citizens, making it more responsive and effective. They are normally specifically linked with the new Poverty Reduction Strategy Plans which have become a new conditionality for loans to Highly Indebted Poor Countries (HIPC), the majority of which are located in Africa. Thus for public servants this has meant programs which attempt to involve officers in taking on board the opinions and demands of their clients - the public or users - and designing their own Performance Improvement Plans (PIPs) which involve service delivery standards monitored by both responsible managers and citizen user groups. The Department for International Development (DfID) is funding such programs in, for example, Tanzania, PSRP 2001-5, Uganda and Ghana; in fact, the

Ghanaian Civil Service Performance Improvement Programme (CSPIP) was started in 1996. The Ghana program involved staff in targeted agencies engaging in ‘self appraisal’ exercises in which they were supposed to confront and discuss what their public clients felt about the quality of their service, and then come up with PIPs which could form the basis of a Performance Agreement with their Chief Director and the government. PIPs have to include measurable PIs.

Chapter 5: Results from Modernization of the State

After more than two decades of modernization of the state, the general consensus to be found in both consultants’ reports and the academic literature is that the results or achievements have been extremely limited in Africa, even negative in some instances. The subsequent paragraphs review the achievements within four key areas: (1) reforms in bureaucracy, civil service and administration; (2) issues in pay and reward systems, (3) training and capacity development, and (4) technology innovations to improving public-service efficiency: E-government).

5.1. Reforms in Bureaucracy, Civil Service and Administration

There is considerable disagreement over the record here--primarily because reliable figures even within individual countries are hard to come by, let alone comparable figures for creating aggregate results for the region or sub -regions. The World Bank review of 1999 concluded that, in aggregate, public sector reform programs had been ‘largely ineffective in achieving sustainable results’. Some analysts on the other hand (Goldsmith, 2000: Olowu, 2003, Lienert, 1998; Schiavo-Campo, 1998) argue that in selected important countries civil service numbers really fell, by up to 10%, and that by the mid 1990s SSA had the lowest ratio of civil servants to population of any group in the world (1% compared to 3% for other developing countries; see Olowu, 2003: 113). In Uganda for instance, the total fell from 239000 to 159,000 1986-96, and in Tanzania, from 335,000 to 270,000, 1992-2000 (Therkildsen, 2001). Others argue that by the end of the 1990s, re-hirings (revolving door syndrome) and redistribution cancelled out the many of these reductions, for instance, in Ghana (McCourt, 1998); and falls in the civil service to population ratio of course reflect only a decline relative to population growth. As van de Walle (2001) calculates, government expenditure on wages and salaries in Africa increased as a % of total expenditure, whilst expenditure on goods and services, transfers and capital expenditure went down--even whilst overseas aid increased from 5% to over 10% of GDP. The figures suggest that governments have attempted to maintain their core establishments and waged employees whilst cutting back on equipment, services and development expenditure (van de Walle, 2001: 96). It is also seems likely that a lot of skilled middle and senior officers left during the retrenchment phases (Olowu, 2003: 122).

5.2 Issues in Pay and Reward Systems

The record on increasing pay incentives tells an even more depressing story. Real wage levels in most countries continued to fall on average by 2% pa from 1990-96 (Lienert,

1998), although in a few countries such as Tanzania, Uganda, real increases were achieved (Tanzania, 75% 1992-2000; Uganda, 9 times from meaningless base). Only in Botswana, Africa's economic success story, have public sector wages kept pace with inflation--whilst at the same time, total public sector employees increased in absolute numbers by nearly four times, 24 *Kwacha* to 82 *Kwacha*, late 1970s to mid 90s (Goldsmith, 2000: 532). This is hardly surprising when we consider that Botswana is one of the few African countries to show a significant increase in GNP pc between 1970 and 1998 (six time higher compared to African countries average fall of 9%).

Although a lot of progress was made on decompression, increasing differentials (Nunberg, 1996: 145), this failed to deal with the issue of relativities. Public sector salaries for skilled personnel became increasingly uncompetitive with the local private sector and with the burgeoning NGO and donor agency sectors, which by the end of the 90s were a far more attractive prospect for young African graduates.

For African professionals or managers with internationally marketable skills of course, the lure of emigration also became stronger, and the brain drain became a torrent. Around 60,000 middle level personnel probably emigrated from Africa 1986-90; the health sector remains especially vulnerable--in Ghana, it is estimated that one third of all trained health workers left the country between 1993-2003, and more two thirds of the output of trained doctors from medical school left between 95 and 2002 (ISSER, 2001) . The number of Ghanaians emigrating to the USA increased six fold in the period 86-96, nearly all people with tertiary education or technical skills. The increased presence of expatriate technical assistance personnel on international salaries is a daily reminder to those who remain of these enormous differentials.

For those on the lower pay scales, a continuing problem in many countries was the practice of non-payment for many months, as governments sought to balance budgets. Worst of all, most analysts seem to agree that the primary objectives, to improve management of government budgets and programs and to improve the capacity to offer better services, have not been achieved. Even in the star pupil countries of Ghana and Uganda, which have received the largest shares of ODS over the past 20 years, budget tracking studies have shown that only 27% of budgeted grants for education actually reached schools in Uganda, and 51% in Ghana; in the health sector in Ghana, only 32% of central funds reached front line services (van de Walle, 2001: 136). Revenue collection efforts have improved in some countries, for instance, Ghana's Internal Revenue Service, but overall the major story is one of increasing reliance on donor aid and loans to support government budgets and the major part of development budgets.

5.3 Training and Capacity Development

Serious training and capacity development problems beset the public service in most African countries (see Paul, 1983). One of the initial tasks undertaken as part of civil service reform in Africa is the revision of the training policy and development of a strategy document to reflect the new liberal and decentralized environment within which the civil service operates. The policy specifies the framework, including purpose,

opportunities, types and funding of training, in order to ensure that all classes and levels of civil servants are covered and their training needs addressed. It also stresses the decentralization of the training function, assigning full responsibility to the Ministries/Departments/Agencies (MDAs) for the functional training of their staff (Olowu, 1999; 2003).

Some of the strategies of training and capacity development being adopted in Francophone countries like Senegal and Mali and Anglophone countries like Ghana, Nigeria, Tanzania, Egypt and Uganda are aimed at professionalization of the civil service. At senior levels, low reward, high security positions are being replaced with the exact opposite. There is therefore a shift away from a career civil service to a service whose appointment is mainly based on contracts, performance measurement and intra-service mobility. The expectation is that public sector managers, often recruited from the private sector, will have a high level of managerial skills and talent and will be flexible enough to manage effectively in any government agency.

In spite of the strategies put in place to promote effective training and capacity development, there are still problems because most of the training is not demand-driven and tailor measured to the job of personnel. In addition, training programs have not continuous and compulsory at all levels. Furthermore, most governments have not been enthusiastic about training because it not only involves a huge capital outlay but also not visible for the electorate to appreciate (UN/CAFRAD, 1994).

5.4 Technology Innovations to Improving Public-Service Efficiency: E-government

The promise of E-government or technology innovations in the public service has been well documented (see United Nations, 2003). It is regarded as the pursuit of “paperless” public service. As a result of the promise of e-government, it has been noted that administrative reform in African bureaucracies is increasingly dependent upon information technology. Consequently, World Bank lending alone for information technology (IT) has increased over the years nearly 30% per year since 1981, reaching \$570 million in 1989 and \$745 in 2003 (World Bank, 2003). All African countries have since the late 1980 and early 1990s embarked on information technology and management information systems. Despite the potential for making government bureaucracies more effective, the performance of information technology-based reforms often falls short of expectations. Information systems fail or under-perform more often than they succeed in the public sector in Africa, because “saints (progressive government staff) are few; the wizards (technical assistance staff) are inappropriate, the demons (corrupt and apathetic officials) are many, the systems are complex and the organizations are weak” (Peterson, 1998: 38-39). ICT which embodies systems development is a personal and contingent process. It requires selling the reform to decision makers, establishing a learning relationship between users, designers and implementers and building an effective design team. These African public services lack (Peterson, 1998).

Chapter 6: Bringing Government Closer to the People – Challenges of Administrative Decentralization

There has been a strong push for decentralization in the late 1980s and early 1990s, which is not only linked to the wave of democratization but also international reform agenda. In African countries, decentralization forms a key element of the reform agenda. It is notable that decentralization, understood to increase popular participation in government – is identified as a crucial element in improving governance. As Flanders (1995) has observed “if rolling back the frontiers of the state was the policy mantra of the 1980s, then the creed of the 1990s is to roll them downward”. The World Bank (1989: 58) has also argued that “competent and responsive local government is central to capacity building”. This enthusiasm for decentralization probably reflects the dominant arguments put forward by its advocates, many of which appeal to almost exactly the same justifications as the good governance policy. It has been argued by political scientists and development practitioners, for instance, that decentralization to democratic (in practice, elected) local government units will give rise to a number of benefits: greater participation by citizens in local development decisions; greater accountability of government to the population; better mobilization of local resources; encouragement of micro-accountability or market-like responsiveness to users of services; greater efficiency of public management, arising from improved coordination and shorter decision making hierarchies (“less bureaucracy”) and improvements in political stability through the legitimization of differences in local needs and perspectives (pluralism) (Mawhood, 1993; Smith, 1985; Rondinelli et al., 1989; Wunsch, 1995a and 1995b). In its broadest sense, the need for accountability is seen as justifying policies for building civil society or constructing legitimate channels for representation of social interests.

In Africa, decentralization programs have been implemented for mainly three reasons. First, decentralization is seen as a key element in the process of democratization generally, and of participatory approaches to development particularly. Second, decentralization is regarded as a means of slimming down ineffective central administrations – shrinking the social welfare state – through programs of cutting state expenditures by shedding certain functions and transferring costs of others to their users. Third, decentralization to democratic local government is expected to improve governance through increased government responsiveness and greater accountability. This in turn would give rise to a number of benefits not attained under previously tried centralized forms of government, especially improved economic performance (Olowu and Wunsch, 1995; Rondinelli et al., 1989; Smith, 1985; Mawhood, 1993; Olowu and Smoke, 1992). In other words, decentralization:

suggests the hope of cracking open the blockages of an inert central bureaucracy, curing managerial constipation, giving direct access for the people to the government and the government to the people, stimulating the whole nation to participate in national development plans (Mawhood, 1993: 1).

In short, the implicit objectives of decentralization include popular participation or “power to the people”, accountability, transparency, effectiveness, efficiency, empowerment, equity, responsiveness, stability, decongestion of the nation’s capital, and checking the rural-urban drift.

6.1 Some Successes of Decentralization

The decentralization program has produced some positive results. First, it enabled the local people to show some interest in their own affairs and participate, even if minimally, in policies and programs of their areas. It dawned on communities that the development of their areas lie on their shoulders.

Second, the decentralization program has led to an incremental access of people living in previously neglected rural areas to central government resources and institutions. The decentralized bodies undertook development projects such as the construction and maintenance of feeder roads, school classroom blocks, clinics, places of convenience and markets as well as the provision of water and electricity.

Third, insofar as the program aimed at political renewal or the opening up of a repressive regimes in Africa, it created a huge number of opportunities for mostly young people who aspired to a career in politics. The new opportunities that came with decentralization eased the frustration of aspiring politicians, deflected them from the normless behavior and destructive factional infighting, which often result from frustration with limited political opportunities. Consequently, leaders of associations, social groups and other interests near the grassroots, seized the opportunities to integrate state and society in potentially creative interactions which seemed to promote a culture of bargaining among them (Olowu and Wunsch, 2004).

In South Africa, Uganda and Ethiopia, decentralization has positive impacts. In South Africa and Uganda, decentralization has been regarded as a way of re-unifying their countries (World Bank, 1999/2000). In South Africa, decentralization reversed the dual system of government based on race and the limited access to public goods and services in the “homelands” and “townships”. The country has been divided into 9 provinces, 5 metropolitan areas and 850 municipalities, all racially mixed and with democratically elected governments. The central government retains primary fiscal responsibility for expenditures that have a major redistributive impact, such as health and education, but metropolitan governments have been restructured to implement policies at the local level. This is in spite of the difficulty of dividing responsibility for health and education between the central government and the provinces (World Bank, 2000). Similarly, decentralization has reunited Uganda that had splintered into hostile factions during the years of turmoil before 1985 when President Museveni took over power. In the words of the World Bank (2000: 108) the “broad-based politics of the ‘resistance councils’ and committees that had been developed during the years of civil war helped to pacify most parts of the country”

6.2 Some Challenges to Decentralization

Although many African states have pursued substantial decentralization reforms since the late 1980s, many of these reforms have had limited achievements and are still experiencing problems in bringing about effective local governance. Often these problems grow from the difficulty in translating general reform initiatives into specific

working arrangements at the local level that are effective in several key processes and operations. Specifically, these include planning and capital investment, budgeting and fiscal management, personnel systems and management and finance and revenue. These four functions are all critical for effective local governance. At the same time they are areas where substantial resources are distributed and where, given the intense competition for resources generally accepted as typical of contemporary African states, one might expect substantial competition from actors in these states to retain or capture those resources (Wunsch, 2001; Wunsch, 2000).

Even though several key organizational arrangements have been used in African states to facilitate decentralization and structure local governance, none of these has worked particularly well in encouraging the development of genuine local-level authority, the transfer of resources to localities, development of a broadly based process of accountability, or building institutions that work effectively and reliably to facilitate decisions and make them realities.

A combination of central reluctance to relinquish authority in these key areas and the complexity of organizational redesign to support decentralization explain these problems. For instance, authority and resources are captured by either (or both) central or local actors who have an interest in preventing them from reaching local government units, and/or because the design of the local institutions and processes is frequently flawed. At times there are operational problems in the four function areas because of the simple difficulty of building working local institutions which can provide complex and technically demanding services in Africa's context of scarcity and general turbulence (Wunsch, 2001; Adamolekun, 1999; Olowu, 1997). As rightly pointed out by Wunsch (2001: 266-267):

With the exception of Botswana, where a very unusual political environment may have overcome turbulence and allowed a more broadly based political life to exercise some influence over the centre, and whose relative wealth (diamonds) may have temporarily altered the intense competition characteristic of Africa's severe scarcity, a top-down, decentralization/local governance strategy still faces substantial challenges in contemporary Africa.

In Francophone Africa and North Africa, there are no local governments. There is only the central government. There are, however, powers that have been deconcentrated to the local levels of the administration. Even while deconcentration has taken place, the Ministry of Interior continues to maintain a parallel set of structures that are characteristics of centralized territorial administration to represent the power of the state. The "*prefet*", "*sous-prefet*" in Francophone Africa and the "*governors*", "*delegates*" and "*omdahs*" in North Africa are all central government officials who work in local units viewed in the context of deconcentration and delegation rather than of devolution and the development of independent powers and local governments (Olowu and Wunsch, 2004; Cheema and Rondinelli, 1983).

The failure of decentralization programs in Africa may be explained from the perspective of its implicit objectives, which one might call the "politics" of decentralization. Because no government is likely to give away willingly without good reason, one finds that

decentralization programs inevitably have some sort of ulterior political motives of a centralizing nature, in the sense that they are intended to strengthen, rather than weaken, the role of the central government in some way or other. Decentralization may be used as an instrument for mobilizing support for specific objectives. For example, decentralization may be seen as a means of increasing support for the government by increasing “democracy” or tackling widely recognized social and economic problems, or as a means of avoiding an even greater loss of power, as when a government decentralizes in order to meet the demands of a region which might otherwise breakaway entirely. Moreover, for similar reasons many so-called decentralization programs have strong elements of centralization; this may mean either that the degree of decentralization is actually very limited or that the reform involve both decentralization and centralization – in other words, the central government gives with one hand and takes back with the other (Conyers, 1989).

Chapter 7: Review of Budgetary, Fiscal and Tax Systems

The political economy of revenue mobilization in African countries is not “only a neglected area of study but also poorly understood”. To Therkilsen even though:

Issues of taxation are central to economic and political debates in the North ...and loom large in party manifestos, in parliamentary discussions of budgets and in public debates ... the situation is (however) different in most poor African countries. Here issues of taxation and resource mobilization are rarely prominent in party declarations nor often publicly discussed by power-holders. They do not occupy a central role in the media debate either (although newspapers do write about problems of tax collection, evasion and fraud). Taxation is not even discussed during multi-party elections. Similarly, many well-known political scientists writing about politics, democratization and state formation in African pay little attention to taxation (Therkilsen, 2001: 99).

This notwithstanding, there is a continuing debate over the appropriate tax collection arrangements in African countries. This debate has become more pronounced during the period of implementing structural adjustment programs (SAPs) which found that the fiscal crisis facing the state is mainly the result of low revenue tax base. In other words, the state in African countries lacks the extractive capacity, that is, its ability to “raise the revenues it needs to pay for the expenses of implementing its policies and goals” (Brautigam, 1996: 83). The outcome of this is that African countries unlike their developed counterparts are unable to use taxation and disputes over the use of revenues to stimulate the development of greater citizen rights and privileges, with democratic institutions reinforcing accountability and greater transparency in expenditures (Brautigam, 1996: 101). In other words, tax reforms have achieved limited success in terms of increasing state accountability to citizens/tax payers (Rakner, 2003).

One of the most important functions of the state which largely determines its legitimacy is to raise revenue to support its policies and programs. In the words of Theda Skocpol (1985: 17):

A state’s means of raising and deploying financial resources tell us more than could any single factor about its existing (and immediately potential) capacities to create or strengthen state organizations, to employ personnel, to co-opt political support, to subsidize economic enterprises, and to fund social programmes.

Tax is normally and best collected by the state. This has been recognized by the Washington-based Bretton Woods institutions which have introduced tax administration reforms in Africa. The reforms aimed to (a) make the tax structure more neutral; (b) simplify and streamline legal and administrative tax operations; (c) enhance revenue collections; and (d) promote the horizontal dimension of equity in tax systems over vertical equity (Lledo et al., 2004).

7.1 The Push for Semi-Autonomous Revenue Authority

There has been a big push in Africa for semi-autonomous revenue authority (ARA) outside the civil service structure based on the UK executive agency model for a number of reasons (see Table 1 for some of countries which have the ARA). First, the ARA as a single purpose agency can focus its efforts on a single task. Second, an autonomous organization, it can manage its affairs in a businesslike way or run on business principles, free from political interference and vulnerability in day-to-day operations. Third, freed from the constraints of the civil system, it can recruit, retain (or dismiss) and motivate staff to a higher level of performance. There is the implicit assumption that such steps would provide incentives for greater job motivation and less corruption. Fourth, it opens up opportunities for more widespread reforms of tax administration. Fifth, it is thought as one of the most appropriate ways of improving tax administration and collection in developing countries (Jenkins 1994; Silvani and Baer 1997; Devas et al. 2001; Fjeldstad, 2003; Taliercio, 2003 and 2004). Indeed, it has been noted that the driving force behind the establishment of early ARAs in Africa was the “dire financial position of the government and the chronic inefficiency of the existing revenue administration system. Radical action was required if sufficient revenues were to be collected to enable the government to function without at the same time increasing the burdens of the economy. The Revenue Authority model offered a way of starting again, insulating the vital revenue collection function from the rest of the civil service and developing an efficient and effective organization” (Devas et al., 2001: 213).

In practice in Africa, the creation of ARA in Uganda, Tanzania and Zambia has led to increased levels in revenue collections and administrative efficiency and greater compliance from formal sector taxpayers. However, the relation of amount of revenue collected by the three ARAs to GDP is not encouraging (see Rakner and Gloppen, 2003 for details).

The case for ARAs then is not yet clear. First, it is not even clear what one means by “autonomous” because of its multi-dimensional nature. As rightly pointed out by Taliercio (2003: 48-49) there are “many ways that an agency can be made more autonomous ... one agency might have more financial autonomy while another might have greater autonomy with respect to corporate governance”. Similarly, there is a cause-effect relationship in the multi-dimensional nature of an organization’s autonomy as for example, “greater autonomy, in addition to providing greater control over the use of resources, has the effect of increasing autonomy over personnel management” (Taliercio, Jr. (2003: 48). Clearly, the advocates are combining a notion of managerial and

bureaucratic autonomy with some concept of political autonomy. But one cannot easily judge whether and how far an authority is autonomous, and one knows, at least from the South African case, that the real success went with a close political relationship of the South African Revenue Service (SARS) to the Finance Ministry (Smith, 2003). Second, according to Fjeldstad (2003: 172-173) the creation of a “proclaimed autonomous revenue authority with comparatively generous remuneration packages and substantial budgets does not protect the authority from political interference. To the contrary, as observed in the Uganda, it may make it more attractive target because the authority offers both relatively well paid jobs and considerable rent-seeking opportunities. Consequently, such an authority is vulnerable to political interference, especially in personnel matters”.

Table 1: Some African Countries Which Have Created the ARA

Country	Year of Creation
Ghana	1986
Uganda	1991
Zambia	1994
Kenya	1995
South Africa	1996
Tanzania	1996
Rwanda	1998

Source: Devas, Delay and Hubbard (2001),

7.2 Taxing the Informal Sector

One of the tax systems which has been introduced in most African countries is the Value Added Tax (VAT), which involves the restructuring of the turnover tax regime to a neutral broad-based consumption tax system. The appeal of the VAT in developing countries include reducing the distortionary costs of indirect tax to choices among inputs and modes of production, as well as disincentives to formal activity, raising revenue cynically referred to as a “cash machine” by Toye and Moore (1998: 80), simplifying tax administrative procedures, widening the tax base of the tax system, and promoting equity and efficiency in tax administration. The appeal of VAT is so strong in developing countries that its introduction became a rat-race.

In spite of the implementation of the strategies aimed at simplifying the administrative procedures, widening the tax base of the tax system and promoting equity and efficiency in tax administration, very little progress has been made on the old problem of the tax-exempt status of the informal sector. For instance, in Tanzania, “problems in tax collection remain. Small firms, which are the majority in Tanzania, are often not fully knowledgeable of the various levies and fees they need to pay. In the course of business, they fail to comply with tax requirements” (Temu and Due, 2000: 702). In Senegal, three attempts in 1989, 1991 and 1995 to include the less formal sector in VAT failed because of opposition from the sector. According to Thioub, Diop and Boone (1998: 74) “the government’s attempts to ‘capture the informal sector’ proved to be the catalyst for the political mobilization of informal sector business. ... The government’s attempts to

capture the informal sector in the fiscal net have shaken the postcolonial consensus whereby the informal sector was allowed to prosper in a sanctuary sheltered from taxation.” Similarly, even though the South African Revenue Service (SARS) prides itself in the gains it has made with regard to collecting VAT in the formal sector of the economy, it laments over its inability to make inroads into the less formal sector:

The challenge remains for SARS to take its investigative techniques into the informal areas of the economy in order to understand the possibilities and limits of expanding the state’s extractive capacity. This has been the area least explored by SARS, and is illustrated by the lack of new VAT registrants over the last four years – the most likely area for SARS to gain an insight into informal sector activities (Smith, 2003: 19).

Despite the emerging consensus on the need to tax the informal sector, little is known about how to do it. Traditional understandings of the problem point to two principal constraints. The first is administrative. The tax bureaucracies of governments of African countries do not have the resources or the personnel capacity to implement, monitor and enforce tax laws (Stella 1993; Kiser and Baker 1994). The characteristics of the informal sector exacerbate these problems. The informal economy is characterized by transience and uncertainty. Cash transactions dominate. There is indifference to formal accounting due to high levels of illiteracy and a shortage of affordable accountancy service. In some areas of the informal economy such as transportation or street vending, the mobility of the operators makes it difficult to enforce compliance. The large number of people engaged in the sector and the relatively small amounts of tax payable pose an additional logistical problem for collection. Thus, taxation based on formal systems of income calculation, accounts, and payment options are not suited to the informal sector. The second constraint is political. Several observers have suggested that taxing the informal sector is politically problematic because the informal sector forms a substantial vote bank for politicians (Cross, 1998; Tandler, 2002). State officials and politicians turn a blind eye to activities in the informal sector in order to retain their support base; simultaneously, organized informal sector workers pressurize government officials to reduce enforcement. Such a dynamic is likely to operate in countries where the informal sector forms a substantial part of the economy.

There is much truth in the existence of these constraints. They are however quite general and neglect specific contextual factors. We present a case in Ghana in which political and administrative constraints did not prevent the government from institutionalizing tax collection in the informal sector. It involves private transport unions collecting income tax from its members for the state-owned Internal Revenue Service (IRS) since 1987-2003 for a commission of 2.5% (see Joshi and Ayee, 2002 for further details).

Chapter 8: Public Finance, Anti-Corruption and Public Accountability

8.1 Public Finance and Public Accountability

The judicious and equitable use of public funds through revenue mobilization and expenditure to promote the public interest has dominated key issues in public finance in African countries. It has been pointed out that a proper use of public finance goes a long way to link citizens to the state. Citizens expect that state officials use public funds to

provide value-for-money public goods and services. Improper use of public finance results in fiscal crisis and governance crisis which weakens state apparatus and undermines its capability to promote economic development. Judicious use of public finance also encourages citizens to pay their taxes without grumbling. In addition to these, an effective public financial system is also a plea for open economic strategies, which entail the liberalization of exchange rate, trade and payments systems by limiting the space for political and administrative discretion in the allocation of resources.

While it is appropriate that the quest for transparency and accountability by an anti-corruption concern, it is important to recognize three concerns:

- the need for efficiency in resource allocation and use;
- the need to foster enduring institutions; and
- an accompanying culture that makes for accountability.

To promote a judicious and fair use of public finance, accountability (that is, holding public officials responsible for their actions) and transparency (a call for open government or administration) have been advocated. Some of the key mechanisms put in place in African countries to promote accountability and transparency and the general perception of their effectiveness are listed in Table 2. They include:

- i. The exit mechanism involves the provision of goods and services such as utilities produced by a variety of service providers. It has three variants, namely, (a) external markets, which involves the opening up of some economic activities (such as telecommunications) to private competition and has led to improvements in services; (b) internal markets which involves the creation of specialized units to produce services with clear targets and outcomes such as the creation of autonomous revenue agencies (ARAs) by African states; (c) contracts which involve the public sector contracting out specific goods and services such as sanitation and waste disposal to private sector or other public sector institutions (Olowu, 1999).
- ii. Voice mechanisms involve giving opportunities to citizens to voice their concerns about maltreatment or misuse of position or public resources by officials.
- iii. Internal mechanisms consist of codes of conduct, regulations and merit systems/awards which are used by organizations to ensure that employees conform to the organizational norms and goals.
- iv. External mechanisms refer to those mechanisms which are created and applied by agencies (for example, the legislature, judiciary, anti-corruption bodies) outside the formal the public service (Olowu, 1999).

These mechanisms have not been effective because of the following reasons:

- uneven level playing field for political parties through the exploitation of incumbency advantages by ruling governments;
- a weak system of checks and balances, resulting in executive dominance and reduced effectiveness of oversight institutions such as the legislature;

- little or no commitment from ruling governments to promoting accountability and transparency;
- official attitudes towards anti-corruption watch-dog agencies have ranged from lukewarm to open hostility;
- weak culture of the rule of law, respect for human rights and constitutionalism;
- flaws in constitutional design and practice – vast appointment powers concentrated in the presidency, resulting in excessive patronage and control;
- structural defects and intensified by under-resourcing of institutions;
- failure of formal democratic institutions to give voice to the poor and other marginalized;
- lack of effective devolution of authority to democratic local government; and
- inadequate information even though the right to information has been stipulated in constitutions.

Table 2: Mechanisms of accountability and transparency in Africa

<i>Type of Mechanism</i>	<i>General Perception of Effectiveness</i>
<i>Exit</i>	
Internal markets	Low
External markets	Low
Contracts	Low
<i>Voice</i>	
Elections	Low
Referenda	Nil
Grievance ventilation	Low
Participation/decentralization	Low
Pressure interest groups	Low-Nil
Information freedom	Nil
Media/public opinion	Low
<i>Loyalty/Internal Mechanisms</i>	
Codes of conduct/regulations	Medium
Merit systems/awards	Low
Performance-based compensation	Nil
Discipline	Low
Hierarchy	Low
Inspectorates	Medium
<i>Compliance/External Mechanisms</i>	
<i>Legislature-based controls</i>	
Investigations	Low
Public Accounts Committee/External Accounting	
Question time	
Authorization of funds/top personnel	
Letters to ministers	
Judiciary-based control	Medium-Low
Executive-based controls	Medium-Low
Ombudsman-like institutions	Low

Source: Dele Olowu (1999), p. 147.

8.2 Anti-Corruption

A widely acknowledged index of weak accountability and lack of transparency is the problem of corruption, in the sense of abuse of public office for private gain. The incidence of corruption in Africa has been seen to “reach cancerous proportions. In fact, so pervasive is this phenomenon in the region that it has been labeled the “AIDS of democracy, which is destroying the future of many societies in the region. The corruption problem in Africa reflects the more general, and now legendary, climate of unethical leadership and bad governance found throughout most of the continent” (Hope, 2003: 17). Corruption has been identified as root cause of the failure of public management. Some of the causes of public management failure include:

- poor quality services;
- inability to make and implement policy or even to take routine decisions;
- weak financial management including unrealistic budgeting and poor control;
- the practice of employing public resources in the pursuit of private interests, which can be a function of the failure to separate clearly what is public from what is private;
- the arbitrary application of laws and rules;
- an excess of rules and regulations which stifle entrepreneurial activity and encourage certain forms of corruption;
- closed, or non-transparent, decision-making systems;
- allocation of resources which is not consistent with development.

These debilitating features according to Transparency International (TI) enables corruption to undermine good government, fundamentally distort public policy, lead to misallocation of resources, harm private sector development and particularly hurt the poor.

In Africa, the governments have acknowledged that unless the scourge of corruption is combated effectively, poverty will deepen, the legitimacy of the government will be eroded, human rights abuses will be intensified and democracy undermined. Consequently, the governments have established institutions to fight corruption. In Ghana, for instance, the government established the following institutions:

- an Economic Crime Unit of the Ghana Police Service;
- a Serious Fraud Office;
- a Bureau of National Investigations; and
- a Commission on Human Rights and Administrative Justice.

In addition to the establishment of institutions, leaders have at least in their speeches indicated their intention to deal with the problem of corruption and in certain cases have punished the “big fishes”. For instance, 2001, as a gesture to deal with corruption, the government of Kufuor’s New Patriotic Party (NPP) prosecuted its Minister for Youth and

Sports for allegedly stealing \$46,000 being winning bonuses of the senior national team. Furthermore, a number of ministers and other officials of the Rawlings government were sentenced to prison terms for acts intended to “cause financial loss to the state”.

Governments have also prepared an anti-corruption action plan. They have also acknowledged that several anti-corruption campaigns in the past has failed and that the new methodology for fighting corruption is the building of coalition between government, private sector and civil society, of networking and collaboration from regional and international bodies with support from development partners.

Some countries such as Ghana, Uganda and Nigeria undertook a survey on the level of perception of corruption, which is regarded as a new integrated strategy to fight corruption in the year 2000. The surveys were sponsored by the World Bank. The approach is preventive. It is to attack the root causes of corruption and fight it with a coalition of internal forces. The surveys provided a firm empirical basis for developing an action plan, the sharing of information and responsibility among partners and finally, implementing and monitoring an integrated national anti-corruption program.

Controlling or combating corruption in Africa is one of the main preoccupations of good governance. The governance principles of accountability, accessibility and availability of information, a legal framework for development, insistence on transparency, freedom of association and participation and cooperation between government and civil society organizations should be incorporated into a national integrity system in Africa that should be able to fight against corruption (see Stapenhurst and Langseth, 1997). In Hong Kong where the governance features have been incorporated into a national integrity system in the early 1990s, there has been considerable diminution in the level of corruption (Doig, 1995).

A drastic reduction of tolerance for corruption worldwide in the 1990s, especially because of its negative consequences for economic growth, is also noticeable in Africa, where many countries have launched anti-corruption programmes, for example in Egypt, Tunisia, Ghana, Tanzania, South Africa, Benin, Mali, Senegal and Uganda. Predictably, the anti-corruption measures being implemented include, among others, strengthening the enforcement of accountability and improving transparency and openness in the conduct of government business. Performance targets and monitoring systems have also been instituted. To be effective, results-oriented public sector management has been advocated to create incentive structures and an enabling environment to encourage achievement of public service reform targets and quality results. These measures notwithstanding, efforts to combat corruption have not been very successful because of the inconclusive nature of measuring the level of corruption (Stapenhurst and Langseth, 1997).

Chapter 9: The State and Economic Regulation in Africa

The post-independence period in the 1960s in Africa witnessed an enormous expansion of government intervention in national economies when the public sector was seen as a major contributor to economic growth and socio-political stability. This statism or state

capitalism, that is, ownership and intervention by the state was accepted as the dominant development strategy and paradigm. That the state had a central role to play in directing the development process was especially acknowledged in the African context in the midst of a weakly developed indigenous private sector as well as substantial foreign economic presence. Thus justifying state intervention in the economy was not only an ideological necessity but also a historical one. Consequently, a variety of forms of state economic intervention inherited from the colonial period were expanded and generalized in the years after independence, leading, in particular, to the marked expansion of SOEs undertaking important shares of production and investment in African countries (Tangri, 1999).

After independence there were strong feelings in African countries of “economic nationalism”, which stemmed from the weakness and subordinate status of African private enterprise as well as from the fact that African economies were largely in the hands of foreigners. Public sector enterprise was seen as enabling the state to carry out activities that African private entrepreneurs could not perform and also to reduce the dominance of foreign enterprise. Throughout the continent, political leaders sought to secure greater indigenous ownership of the economy, especially of the activities a country depended on for its foreign exchange earnings. Greater ownership and control of the economy through what was called “capturing the commanding heights of the economy” to influence the broad direction of national development through nationalization of foreign economic concerns were carried out in Egypt, Libya, Zambia, Tanzania, Nigeria, Ghana, Zimbabwe. In addition, new SOEs were created in Swaziland and Kenya to accelerate the policy of Africanization of the economy. In some socialist countries like Tanzania, Ethiopia and Mozambique, the policy of extensive proliferation of SOEs was pursued as way of fulfilling the ideological ambitions of the governments (Rondinelli and Iacono, 1996; Kumssa, 1996).

9.1 Structural Adjustment and Its Balance Sheet

The disastrous showing of statist policy of regulating the economy largely led to Africa’s precipitous economic decline which began in the late 1970s and early 1980s. Accordingly, African economic and political systems have been influenced by donor nations and especially the World Bank and the International Monetary Fund (IMF). Operating on the assumptions that only a major restructuring of the economic (and later) political systems of African countries would save them from complete economic destitution, these lenders required variations of structural adjustment programs (SAPs). The SAP policy reforms are based on two assumptions. First, there was the belief that African countries could only build strong economies by focusing on increased export sales of primary products (unprocessed raw agricultural and mineral products). Sale of export crops and minerals would give African economies a comparative advantage over other states in that low labor costs would allow African states to export these products at very competitive prices, especially to industrial states. Secondly, the reforms were to open African states to investment from the outside and particularly from the wealthy industrialized countries. Removal of tariffs (developed in part to protect fragile African industries) and other obstacles to investment would lure companies from the industrialized world to the low labor costs and cheap raw

materials of Africa. Additional investment would be secured as state-owned enterprises were sold to either domestic or foreign businesses or individual investors (DeLancey, 2001: Gordon, 2001). According to the World Bank/IMF would move to quickly revive and “modernize” African economies and, indirectly, would promote the development of business and civic groups, which would provide a check on government and help contain or prevent autocratic regimes. In other words, political reform and democracy would be promoted.

However, the outcome of SAPs in African countries was not encouraging because the reform depended on ready markets for exports and substantial investment from industrial countries which for the most part never happened. Under the circumstances, economic stagnation and decline continued for most African states throughout the 1990s and 2000s. The systematic weakness of implementing adjustment packages suggests that understanding the roots of policy choices in African is more important than recommending the adoption of specific policies without an understanding of their context (Englebert, 2000).

9.2 Reforming State Institutions for Regulatory Functions of the State: Post-SAP Reforms

The failure of SAPs has led the World Bank to recognize that something was amiss upstream of economic policy making. While not abandoning SAPs, the World Bank has broadly redefined their content as shown in post-SAP reforms. The post-SAPs reforms were aimed at retooling public institutions to perform the regulatory functions which the post-SAPs state was to perform. Included in the reforms were to “correct public sector institutional weaknesses” in Burkina Faso, “establish a more favorable environment for private sector growth” in Chad, “help the government to improve governance” in Madagascar, and “build ... capacity” in Tanzania, all of which were not typically part of such programs in the 1980s (World Bank, 1999: 169-171). In addition, the Bank has allocated increasing resources over the last few years to what it labels “public sector management reform” programs. Whereas adjustment lending represented about 13.2% of the Bank’s portfolio between 1990 and 1995, as against 3.3% for public sector reform programs, the ratios respectively became 8.5% and 6.8% (Englebert, 2000).

Instead of making loans conditional upon macro-economic policies, public sector reform programs actually finance improvements in bureaucratic services, the judicial system, or the overall provision of the rule of law. They typically consist in training bureaucrats or other civil servants and shielding agencies from specific redistributive pressures, as was done with the adoption of performance-based pay in the Customs, Excise and Preventive Service (CEPS) in Ghana (Dia, 1996). Based on an understanding that states fail to properly implement development policies and provide good governance to their economies, they attempt to better the African state, to increase the effectiveness and efficiency its institutions. From 2000, public sector management loans from the World Bank/IMF have included support to Ghana’s “government efforts to improve the efficiency, effectiveness, and quality of public services” and “financing improvements in “capacity-building” in Mauritania and in the “efficiency of the public sector” in Niger (World Bank, 1999: 172-174). Similar loans have also covered the creation of a “more secure legal and judicial environment for new

investors and existing businesses” in Cote d’Ivoire and a “performance-based capacity building in Guinea (World Bank, 1998: 130) as well as sponsoring the “reform of public administration and the judiciary” in Madagascar, “thereby increasing effectiveness, efficiency, and transparency in the public sector (World Bank, 1997a: 106). These reforms emphasize training, incentives, downsizing and institutional innovations.

These policy initiatives aimed at making the state more equipped to play its post-SAPs regulatory have largely remained unsuccessful because they emphasize training, incentives, downsizing and institutional innovations which Englebert (2000) described as “somewhat misguided”. In his words which seem fatalistic:

It is doubtful whether African bureaucrats need additional training and more imported institutions. They are neither less competent nor less moral than civil servants elsewhere. Patterns of bureaucratic inefficiency, corruption, delinquent rule of law, and the like answer to a political logic and are the consequences of the dichotomization between statehood and power in African nonlegitimate states. It is hard to see how public sector management programmes address these deeper issues. They may provide temporary Band-Aids, but they are unlikely to bring about lasting improvements (Englebert, 2000: 180-181).

Two implications can be discerned from the reform of the judiciary and regulation of privatized utilities. They are:

- The sheltering of specific agencies from social pressure, which many of these reforms entail, may well accelerate the deliquescence of the other branches of the state and is unlikely to contribute to the accumulation of development capacity.
- The reforms have increased polarization among branches of the state, as in Ghana where the reform of the Customs, Excise, and Preventive Service (CEPS) was followed in 1992 by demands from all civil servants for wage parity, resulting in salary increases equivalent to no less than 3% of GDP (World Bank, 1995).

Chapter 10: Issues and Problems in Aid Management and Aid Coordination in Africa

Africa especially Sub-Saharan African is considered the poorest region of the world. One of the strategies aimed at reducing the continent’s poverty, inequality, intolerance, weak civil society and bad governance is aid. In other words, aid is regarded as a development tool. Indeed, aid transfers amount, on average, to 9% of GDP. In spite of this, it has been noted that aid levels have been declining since the early 1990s. In the words of Madeline Albright (1999) “I have eliminated the words “foreign aid” from our vocabulary. These two words don’t seem to excite a lot of people”. This is interpreted to mean aid fatigue.

The effectiveness of aid is a vexed issue. Some have regarded aid as a humanitarian “band-aid” – a means of salving Western consciences by appearing to deal with poverty issues, but from a safe distance. Yet still others view aid as “poison” and “counterproductive that does not provide an avenue and vehicle for prosperity. In the words of the Overseas Development Institute (2000: 211):

It is fair to say that aid has not achieved as much as might have been hoped by donors. Many countries are, in real terms, poorer now than they were in the 1960s. It is a moot point whether

they would be any better off had they not received aid, but evidently aid has not benefited them much. Aid has often been misused and abused.

Similarly, the World Bank (2000a;b) makes the success of aid in Africa dependent on a good or receptive policy environment. It found that the quantity of aid that countries in Africa received has “no effect on the quality of their macroeconomic policies.

10.1 Issues in Aid

A number of issues have dominated discussion on aid in Africa. They are:

- Amounts and allocation, which consist of the criteria that will guide the allocation of assistance across countries and how countries can productively absorb assistance;
- Donorship and ownership which deal with the limited effectiveness of conditionality and how can be replaced by accountability and ownership on the side of the recipient; and the role in aid in encouraging or hampering the emergence of the underlying institutional and political foundations needed for sustainable development;
- Transactions costs and debt overhang which refer to the shaping of new paradigms for development partnerships between Africa and developed countries, between African countries themselves and reduce the high transaction costs of assistance. It also addresses the role of debt relief in the restructuring of aid;
- Needs versus dependence which are concerned with the role of assistance in crowding in or crowding out private capital growth and strong institutions, its relation to export diversification and growth, and the impact of aid on development trap and the danger that high aid levels will lead extended periods of aid dependence and if there should be a “new Marshall Plan” for Africa (Elbadawi, 2003: 36).

10.2 Problems in Aid Management

Two main problems have been put forward aid management. They are problems relating to (i) aid delivery mechanisms and (ii) debt overhang.

10.2.i. Problems relating to aid delivery mechanisms

It has been pointed out that delivery mechanism influence the quality of aid through their impact on the underlying institutional environment. High percentages of tied or project aid reduce the options of aid-receiving countries and their capacity to own and develop their development strategies, as well as to respond flexibly to emerging contingencies. In addition, the heavy use of expatriate technical assistance from implementation of donor projects has probably weakened local capacities in aid-receiving countries, with perverse institutional consequences. Local officials often find it easier to leave management to the donors and technical assistance is written into projects without much review. This is because the key public sector civil servants of recipients countries are few and many expatriates are brought in to service donor financial management and reporting requirements (World Bank, 2000b: Elbadawi and Gelb, 2003).

10.2.ii. Problems relating to debt overhang

Debt overhang is likely to have directly adverse effects on growth and investment. High debt creates expectations of future taxes and policy reversals, which reduce the incentives for current investments. High fixed-debt service obligations increase leverage and raise uncertainty, especially if donor funding is decided on a short-term basis. In such circumstances, investors will exercise their option to wait until returns are great enough to compensate for risk. High ratios of debt service to government revenue also imply a potential internal transfer problem. In addition, high indebtedness can also weaken the effectiveness of aid in enhancing growth through increasing the weight of externally driven project-based financing relative to budget resources to support the core functions of the state (World Bank, 2000b; Elbadawi and Gelb, 2003).

10.3 Aid Coordination

The influx of aid to African countries by donors with somewhat differing conditionalities have created coordination problems while at the same time call for concerted coordination. Aid delivery mechanisms are influenced by numbers of non-coordinated donors. Multiple donor requirements lead to management burdens arising from varied and complex donor administrative accounting and monitoring requirements. In addition, recipient countries have played donors against each other, reducing incentives for donor coordination. Without coordination, donors can also free-ride on each other in the sense that they may tend to leave the difficult tasks to the other donors (Elbadawi and Gelb, 2003)

10.4 Restructuring Africa's Aid Relationship and Alternate Strategies

Notwithstanding the problems associated with aid effectiveness and their implications to development in Africa, there are indications that the increase of aid and its redirection toward developmental ends are still critical to Africa's future. In other words, consensus has emerged that aid must change and that it must focus on reducing poverty (World Bank, 2000b). As the World Bank (2000b: 3) notes, with effective regional cooperation and donor support in a "coordinated, long-term partnership, [...] Africa could solve its human development crisis in one generation". In this connection, the new approach to aid should be underpinned by four key principles:

- Being more selective in choosing aid recipients;
- Designing aid activities with the participation of potential beneficiaries and implementing them in partnership with other development organizations;
- Strengthening the capacity of recipients – whether central or local governments, private enterprises, or non-governmental organizations (NGOs) – charged with implementing programs; and
- Restructuring aid delivery mechanisms to make recipients responsible for development – while recognizing the interest of donors that resources be used effectively (World Bank, 2000b: 247).

There are four noteworthy movements in this direction, which are meant to restructure the process of Africa's aid relationship. They are: (i) The Millennium Development Goals; (ii) the Enhanced Heavily Indebted Poor Country (HIPC) Initiative; (iii) the Poverty Reduction Strategy Paper (PRSP) process; and (iv) the New Partnership for African Development (NEPAD) Initiative.

10.4.i. The Millennium Development Goals (MDGs)

The MDGs set targets for poverty reduction, education, health, gender equality, and environmental sustainability to be reached by 2015. One goal is to reduce absolute poverty by cutting in half the number of people living on less than \$1 per day (World Bank, 2000b: 15). The endorsement of the MDGs meant that aid should be targeted to poverty reduction. Consequently, the World Bank and the IMF found common ground in poverty reduction. For instance, in its Comprehensive Development Framework (CDF) in 1999, there is a restatement of poverty reduction as the central mission of the World Bank. The CDF calls for country ownership of a comprehensive, results-oriented development agenda integrating macroeconomic, structural and social policies, developed with broad participation of civil society. In the same vein, the IMF changed the name of its Enhanced Structural Adjustment Facility to the Poverty Reduction and Growth Facility (World Bank, 2000b).

10.4.ii. The Enhanced Heavily Indebted Poor Country (HIPC) Initiative

This initiative started in 1996 and proceeded in incremental steps culminating in the Enhanced HIPC in 1999 after series of consultations with creditor and debtor governments, NGOs, religious organizations, academics and the general public by the World Bank and IMF. The enhanced HIPC Initiative is expected to provide deeper and faster relief and to help fight poverty. One of the basis principles of the enhanced initiative is that the resources released should be in addition to the resources including aid- now being provided. Because the enhanced initiative aims to expedite poverty reduction, recipient countries are expected to adjust macroeconomic policies to accommodate the resources freed by debt relief (World Bank, 2000b). The implementation of the HIPC Initiative has led to fiscal resources freed up from debt service to be used to increase essential poverty reducing expenditures, including basic health, education and rural infrastructure. In addition, it is estimated that about 80% of the relief received by African countries is allocated to poverty related spending (Elbadawi and Gelb, 2003). However, as a large critical literature shows, the HIPC initiative is not without challenges.

10.4.iii. The Poverty Reduction Strategy Paper (PRSP) Process

The PRSP process was introduced in 1999 after the World Bank and the IMF determined that nationally-owned participatory poverty reduction strategies should provide the basis for all the concessional lending, and for debt relief under the enhanced HIPC initiative. It incorporates and builds on the ideas previously developed around the World Bank's country-level Comprehensive Development Framework (CDF). It is being used to assist African countries to put in place the necessary conditions for a dynamic private sector, sound institutions, a predictable legal and economic environment, a level playing field.

The development and implementation of the PRSP process in African countries have yielded enormous benefit to the realization of the poverty outcomes in the NEPAD framework document. It has also resulted in the broadening and mainstreaming of poverty reduction, in particular its integration with macro policy and the budget. In addition, it has also led to the upgrading of the dialogue on poverty, away from a focus only on the social sectors and with stronger links to budgetary processes and the medium-term allocation of resources (Booth, 2003; Elbadawi and Gelb, 2003).

10.4.iv. The New Partnership for African Development (NEPAD) Initiative

The New Partnership for African Development (NEPAD) initiative was launched in October 2001 as a blueprint for Africa's regeneration. It was previously known as the New African Initiative (NAI). It is the consolidation of two proposals – the Millennium Partnership for the African Recovery Programme (MAP), which had its driving force in Presidents Mbeki of South Africa, Bouteflika of Algeria and Obasanjo of Nigeria and the OMEGA Plan for Africa which was conceived and sponsored by President Wade of Senegal.

The preconditions for Africa's renewal are captured in the following set of five core principles:

- Good governance: proper adherence to good corporate, economic and political governance. Growth and development cannot be achieved in the absence of good governance. Any effort to reduce poverty must start with and build upon good governance;
- Entrenchment of democracy, peace and security: Peace, democracy and security are a necessary precondition for attracting investment, garnering growth and development and reducing poverty;
- Sound economic policy-making and implementation: This entails the restoration and maintenance of macroeconomic stability, especially by developing appropriate standards and targets for fiscal and monetary policies, and introducing appropriate institutional frameworks to achieve these standards. In addition, African countries should reduce their dependence on foreign aid and seize the historic opportunity that has presented itself to end the scourge of underdevelopment that afflicts the continent, given that resources (including capital, technology, and human skills), that are required to launch a war on poverty and underdevelopment, exist in abundance;
- Productive partnerships: This entails the development of a more productive partnership between Africa and its bilateral and multilateral partners. The overall objective is to improve effectiveness in development cooperation primarily through better practice in the aid relationship, delivery, and reporting systems. This new and better practice would set out mutually agreed performance targets and standards for both donor and recipient countries;
- Domestic ownership and leadership: No initiative for Africa's development, however, well crafted and internationally accepted, can and will be successful if it is not owned by Africans themselves. Ownership matters because it directly affects program acceptance and implementation at the national and local levels. Domestic ownership generates political support and buy-ins by relevant stakeholders who are much more

likely to view the initiative as a worthy indigenous one rather than immediately dismissing it as a foreign imposition (Hope, 2002; Elbadawi and Gelb, 2003).

NEPAD is innovative for two reasons. First is the use of an African Peer Review Mechanism (APRM) to encourage collective action to promote standards, whether of governance, accountability, or sound economic management. Participating countries are to enter into a series of commitments to create or consolidate basic governance processes and practices, while a forum operating at the level of heads of state will serve as a mechanism through which the leadership will monitor and assess progress. Second is its emphasis on facilitating at the political level, regional and sub-regional approaches toward the provision of essential regional public goods as well as the promotion of intra-African trade and investments. African countries are small and interdependent, and that collective action is needed to address impediments to full economic cooperation (Elbadawi and Gelb, 2003).

In spite of its potential, NEPAD has some challenges. For instance, the need for more discussion and internalization within Africa; so far, formulating and developing the initiative has been a largely top-down process (Elbadawi and Gelb, 2003).

Chapter 11: The Role of International Development Agencies

The role of international development agencies could be gauged from their somewhat different approaches or strategies to issues in Africa. While on one hand, multilateral institutions such as the World Bank are interested in designing strategies or conditionalities to restructure African economies and political systems in the image of the northern industrialized democracies others such as the African Development Bank are interested in “home-grown” African solutions or strategies. The analysis here centers on (1) economic conditionalities, (2) political conditionalities, (3) good governance-related aid flows, and (4) criticisms of the conditionalities.

11.1 Economic Conditionalities

The emergence of economic conditionalities was signaled by the 1981 publication of the World Bank study, *Accelerated Development in Sub-Saharan Africa: An Agenda for Action*. The major conclusion of this report was that misguided decisions of the first generation of African leaders were responsible for the mounting economic crisis. In order to resolve this crisis, the World Bank, the IMF and other development agencies proposed the linking of all future flows of Western financial capital to the willingness of African leaders to sign and implement structural adjustment programs (SAPs): economic blueprints designed to radically restructure African economies that demanded an end to food subsidies, the devaluation of national currencies, the trimming of government bureaucracies, and the privatization of parastatals. In short, SAPs embodied the liberal economic consensus of the northern industrialized democracies that Africa’s future economic success depended on the pursuit of an export-oriented strategy of economic growth that systematically dismantled all forms of governmental intervention in national economies. Most international development agencies require implementation of structural

adjustment policies prior to negotiations for various forms of debt relief and before provision of increased loan support (Commins, 1988; Campbell and Loxley, 1989).

11.2 Political Conditionalities

The emergence of political conditionalities in World Bank/IMF-sponsored SAPs was heralded by the 1989 publication of a World Bank report, *Sub-Saharan Africa: From Crisis to Sustainable Growth: A Long-Term Perspective Study*. In addition to claiming that African countries following IMF and World Bank economic prescriptions were performing better than those that were not, the 1989 went beyond previous studies by underscoring that the success of economic reforms was dependent on the promotion of “good governance”. Theoretically inclusive of all types of political systems, the concept of good governance is in reality the establishment of multi-party democratic political systems similar to those in the northern industrialized democracies. The IMF and the World Bank had affirmed that all future flows of Western financial capital were contingent on the willingness of African leaders to promote the democratization of their respective political systems.

11.3 Good Governance-Related Aid Flows

Some of the good governance-related aid flows have been initiated by multilateral and bilateral institutions. These include initiatives for Africa like the United Nations Special Initiative for Africa (UNSI) and the Structural Adjustment Program Review Initiatives (SAPRI). The UNSIA is led by various multilateral organizations, but bilateral donors, among them the USAID and some Scandinavian donor agencies, and various NGOs are also connected to this program. The program has important components in the fields of promoting governance and strengthening civil society organizations (CSOs). The SAPRI is a project intended to review SAPs with regard to political, economic and social impacts on the people, and it is explicitly involving multilateral, bilateral and non-governmental organizations but also local CSOs so as to look at the effects of SAPs on the local development in the respective countries. However, although some African countries are part of the initiative, it is a global comparative project, not a program explicitly designed for Africa. Their outcomes have not been helpful to strengthen the local input to the SAPs and the local control of SAP impacts, and therefore have not led to better programs with regard to design, implementation and monitoring.

11.4 Criticisms of the Conditionalities

The economic and political conditionalities imposed by the World Bank, IMF and other development agencies were challenged by African policy makers and academics. They believed that the World Bank used a biased analysis to push through “doctrinaire privatization” and promote “excessive dependency on market forces”. Moreover, they believed that the SAPs have been unduly harsh in effect and that they have not been producing the desired results. They complained that World Bank SAPs as well as IMF stabilization programs follow only one formula, rather than individualizing programs for each country. As a result, SAPs do not meet the needs of the people or the differing

conditions of their economies. They believed that many World Bank policy prescriptions are not appropriate and they will never lead to self-sustained growth and development but only to continued marginalization and dependency (DeLancey, 2001).

There is no doubt that there were initial successes of SAPs and other donor conditionalities such as resurgence in economic performance in terms of GDP per capita growth and success in improving macro economic, trade and agricultural policies than their public and financial sectors. This notwithstanding, more pessimistic interpretations from the dependency tradition nonetheless suggest that African countries “desperate for access to international capital” are now “uniquely vulnerable” to the demands of the international development agencies. In addition, the development agencies have attempted to impose their own financial management on African states in an attempt to ensure a basic level of honesty and efficiency, but it has not been successful (Clapham, 1996).

Chapter 12: Conclusions and Policy Recommendations

It is possible for one to conclude that most of the strategies pursued by African states to reform their public services have not able to achieve their desired outcomes because of political, historical, economic, institutional, cultural and other environmental constraints. The characterization of the 1980s as the “lost decade” and of the 1990s as a “mixed bag at best” gives the measure of the distance between expectations and outcomes of reform efforts in Africa. The question that faces us is to identify possible alternative approaches to the renewal and reconstruction of the African state and public sector. The following strategies, it is hoped, will promote and enhance the renewal and reconstruction of the African state and public sector. They center on (1) a redefinition of the role of the state, (2) reforms that must be home-grown and fit real needs, (3) reinforcing the core public service values, and (4) assist with institution-building. A final section summarizes then some implications for public sector management.

12.1 Redefinition of the Role of the State in Development

As a result of the criticisms of the NPM and concerns about social cohesion, equity and stability, interest has been revived in the role of the state in some aspects of development. The debate is about how to revitalize the state to enable it perform its role effectively. As rightly pointed out by the then U.K. Secretary of State for International Development (DFID), Clare Short, in 1997, the main focus of development policy, the elimination of poverty, could only be achieved “through strong and effective states” and that the era of complete enmity to the public sector in general and to state provision in particular is coming to an end (as cited in Ratcliffe and Macrae, 1999).

In the 1997 World Development Report, *The State in Changing World* prominence is given to refocusing on the “effective state”. This marks a significant shift in thinking about the state and its role in development: the need to factor the state back into development. The World Bank has recognized rather belatedly that reforming the public sector the NPM way does not led itself to clear, unambiguous solutions; NPM is not a

panacea for all problems in the public sector. In addition, there is the recognition that the imposition of one template of reform on all, irrespective of the context, is counterproductive and may even breed conflict and undermine stability. The way forward is to make the state work better, not to dismantle it. Consequently, the World Bank (1997b) has suggested two strategies. The first strategy is to match the role of the state to its capability; the earlier mistake was that the state tried to do too much with few resources and limited capacity.

The second strategy is to strengthen the capability of the state by reinvigorating public administration institutions to enable them to perform their enabling, regulating, monitoring and coordinating roles. This will entail creating effective rules and restraints, encouraging greater competition in service provision, applying measures to monitor performance gains, and achieving a more responsive mix of central and local governance by steering policies in the direction of greater decentralization (World Bank, 1997a; b; Batley, 1996).

12.2 Reforms: Home-Grown and Fitting Real Needs

The UN publication, *World Public Sector Report: Globalization and the State, 2001* has indicated that past approaches and strategies at reforms of the public service in Africa have a rather dogmatic and technocratic approach which failed to take account of the complexities of particular national circumstances and over-emphasized one facet of reform (for example, cutback management) over all others. Criticized as “reductionist”, this approach took for granted a measure of convergence of managerial cultures which appears, in retrospect, as somewhat unrealistic. It correspondingly pressed for “one best way” solutions which earned it the description: “one-size-fits-all”. What is needed are customized approaches to meet the diverse needs of individual countries. In fact, as rightly pointed out “an overly technocratic or purely economic growth approach to institutional development divorces the institutional strategy from the socio-economic strategy and political environment which it is meant to serve” (UN, 2001).

A related criticism has faulted the relationship between recipient and donor. Contrary to officially accepted doctrine, too many programs proved to have been supply-driven. In many cases, accordingly, reforms have been externally induced. Too often, as a result, style has invaded substance and programs were concerned with “quick fixes” rather than long-term progress (UN, 2001).

The lessons of experience in Africa strongly point to the conclusion that for reforms to be successful and, accordingly, aid programs to produce “user-friendly” results, must clearly be home-grown, demand-driven, and international consistent and duly coordinated on the national policy level (UN, 2001). It has become apparent that the design and conduct of programs of reform require the steady involvement of competent national teams, which must be in the driver’s seat. Main policy decisions cannot be “outsourced” to consultants, however good. However, well-intentioned and technically accomplished, foreign advice must stay within the bounds of counseling and guidance. Overstepping that limit is both counter-productive and dangerously short-sighted. Carried too far, it undermines the

confidence of peoples in their respective governments and institutions. Democracy is “hollowed-out” and accountability lost when citizens conclude that their elected government has lost control of events (UN, 2001).

12.3 Reinforcing Core Public Service Values

The strategy of reinforcing core public values is important because they would facilitate the public sector management. According to the World Public Sector Report (see UN, 2001, 124), these core public services values are:

- revaluation of learning, integrity and competence;
- stress on the merit system, while paying due regard to affirmative action in favor of minorities and historically otherwise disadvantaged groups;
- growing sensitivity towards and respect for the citizens’ needs;
- low tolerance for laxity, corruption and crime;
- increasing recognition of the need to acknowledge and to reward industry, loyalty, accomplishment and merit;
- increasing recognition of the value of neutrality of civil servants and of the need to secure a degree of autonomy of public personnel management from extraneous pressures in order to safeguard high quality performance, motivation, integrity and professionalism of the public service; and
- increasing recognition of the value of cross-cultural and international links as means towards the improvement of the professional image and performance of the public service.

12.4 Assisting African Countries With Institution-Building

The United Nations (2001) has indicated core public service values cannot either be established and fostered overnight or without any regard to the political, social and cultural environment in which a public service operates without appropriate structures, legislative policy frameworks designed to tap, attract, retain, develop and motivate the needed men and women using their skills productively and effectively. An urgent priority is to assisting African countries in building or refining these structures and policy frameworks represents. It cannot be overstressed that policy advice and programmatic assistance offered by either the bilateral or multilateral programs must respect the distinct legal and political traditions of different countries, which vary widely. Some countries adhere to a tenure career system while others, by contrast, prefer more flexible staffing arrangements. One size does not fit all. Nevertheless, experience strongly suggests the need to professionalize human resources management and development in the public service sector (UN, 2001).

12.5 Implications for Public Sector Management

The recommendations point to the fact that building a better public sector management in Africa is not only an arduous task but also a time-consuming one. Success will depend on commitment from both politicians and bureaucrats to economic growth, investment and international competitiveness, rather than focusing on consumption and waste of public resources. This requires that corruption is minimized, that reforms are made more credible and irreversible, that reforms are basically oriented towards equality, and that reforms are backed by adequate administrative and institutional capacity, and also by a sufficient mobilization of support and of resources for the growth strategy. Finally, policy learning is a prerequisite. Debates, dialogues, learning by reform failures, learning by analyzing policy outcomes, by discussing the causes of weak policy performance, and asking how to cope with the emerging issues in the future may be important steps in this direction. Policy learning also means informing the people and the interest groups via CSOs, informing people and actors at all levels of the state about governmental policies, and organizing a dialogue and a permanent forum between government, interest groups and CSOs so that new policies can be really rooted in the African countries.

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