DISCUSSION PAPER 24

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with a comment by Anders Danielson

Structural Stability in an African Context

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Preface

During late 2000, a number of German scholars in the field of African Studies initiated a policy debate through a widely circulated and publicly discussed "*Afrika Memorandum*." It offers a new conceptual approach to foreign and aid policy issues on Africa, centred on the notion of structural stability.

The concept has since resulted in a wide range of both supportive and critical responses and engendered a lively debate among scholars, policy makers and aid bureaucrats. The relevance of the concept is not limited to a German audience. It offers stimulating and thought-provoking inputs for debate in the wider European context of bilateral and multilateral relations with Africa.

The Nordic Africa Institute in Uppsala, therefore, took the initiative to arrange an exchange between some of these German scholars and a wider Nordic audience, both academic and based in policy and aid institutions. A Consultative Workshop on Structural Stability in an African Context took place at the Institute on 31 March and 1 April 2003. This Discussion Paper comprises revised versions of the contributions to the Workshop and is published to stimulate wider debate.

Henning Melber
Uppsala, September 2003

Economic Aspects of the African Crisis
Low-Level Equilibria, Traps and Structural Instability

Robert Kappel

"Capital was available, but it was not invested in development of capitalism"
Peter Worsley, 1983

In 1999 Paul Collier and Jan Willem Gunning asked one of the decisive questions that has never been answered satisfactorily: "Is slow growth inevitable in Africa?" (Collier and Gunning 1999:100). And two others asked: "Will there be new emerging countries in Africa by the year 2020?" (Berthelémy and Söderling 2001). The answer is: It depends, but most African countries will realise slow or even no growth, while some will continue to grow, for instance Mauritius, the Seychelles and perhaps some others. But the majority of African countries will need more time and a new economic agenda to develop. Catch-up and structural stability is hardly possible in the mid-term.

This paper will make it clear that Africa's low-income countries (LICs) will remain underdeveloped for a longer period of time. The post-Washington Consensus strategies pursued by the World Bank and the IMF seem inadequate to reduce poverty on a sustainable basis. The question arises: why has Africa been unable to sustain growth and development? The majority of African countries are low-income countries, i.e., those with a per capita income (PCI) below $785. Only five countries have a PCI of up to $1000. Poverty is widespread.

Every now and then, many African countries have been able to register short-term growth in real gross domestic product (GDP), but this has proved to be unsustainable. These countries have to date been unable to catch up.

In this paper, I focus on aspects of economic growth and I will try to figure out whether structural transformation in African countries will lead to deeper structural instability or more stability (Mehler 2002). Should those countries fail to achieve structural stability, as is feared for the majority of African countries, catch-up cannot take place. To date, most African countries are caught in an inequality, poverty and informality trap. Informal activities and survival strategies are routine for the vast majority of people. Life chances of the majority of people are very poor.

Many studies have tried to explain why Africa realised slow growth and a high incidence of poverty. The most important explanations are inadequate macro-economic policy, lack of openness, ethnic heterogeneity, the colonial heritage and its repercussions, external shocks, tropical climate, geographic isolation, market and state failure, as well as institutional weaknesses, political uncertainty, and lack of social capital (Kappel 2001a; Wohlmuth 2001; Azam, Fosu and Ndung'u 2003; Collier and Gunning 1999). Others studies concentrate on political and social instability and their repercussions for growth (Chauvet 2002; Club du Sahel 2002; Berthélemy, Kaufmann, Renard and Wegner 2002). Some authors try to show that these diverse approaches identify important parameters for slow growth but neglect economic structural factors. Only a few authors have tried to add economic structural factors into this debate[1] (Gabre-Madhin and Johnson 1999).

First, I would like to define the concept of structural stability.

The European Commission wrote:

> Structural stability is to be understood as a term denoting a dynamic situation, a situation of stability able to cope with the dynamics inherent in (emerging) democratic societies. Structural stability could thus be defined as a situation involving sustainable economic development, democracy and respect for human rights, viable political structures, and healthy social and environmental conditions, with the capacity to manage change without the need to resort to violent conflict (European Commission 1996).

The concept of structural vulnerability is different from the concept of structural economic instability, because "vulnerability is the consequence of two sets of factors: (1) the incidence and intensity of risks and threat and (2) the ability to withstand risks and threats … and to 'bounce back' from their consequences" (Atkins, Mazzi and Easter 2000). Structural vulnerability depends on factors that are not under the control of national authorities when the shocks occur, while vulnerability deriving from economic policy results from choices made in the recent past, and is, therefore, conjunctural. Structural instability is a broader concept, which includes economic and social transformations that do not result in sustainable growth, employment, safety and peace, but in economic and social insecurity, unemployment, widespread poverty, inequality, non-diversified economies, the Malthusian trap and external shocks. In Africa, long-term transformations have led to a decline in the social and economic fabric.

This paper will initially deal with growth trends in African countries (Section 2). Section 3 will examine some of the main structural problems in Africa. Section 4 deals with stabilisation and liberalisation programmes and makes it clear that these can hardly overcome structural instability. It also deals with different approaches to reducing poverty and structural instability and increasing growth. Section 5 will give a short summary.

Poverty and Income Growth in sub-Saharan Africa

In general, African countries have seen significant changes that have often gone unnoticed. With respect to indicators of human development such as health, education and life expectancy, a number of positive findings have emerged such as

1. This list dos not include the discussions of the 1970s on structural heterogeneity, unequal exchange, peripheral capitalism, etc. See among others Amin 1974 and Rweyemamu 1992.

higher life expectancy, decreased child mortality and increased literacy. The Human Development Index (HDI) has improved in many African countries (Ranis and Stewart 2000). However, there are still three key aspects of this performance that need to be acknowledged:

1. In comparison with other regions in the world, the improvement in Africa's performance still falls way short.
2. Poverty continues to rise: In 1998, approximately 290 million people were living on less than \$1 per day (= 46 per cent of the total African population), approximately 475 million people (= 75 per cent) had to make do with less than \$2 a day. Even a GDP growth rate of more than 3 per cent cannot result in a reduction in the number of poor (World Bank 2000:29ff). Africa is the region of the world with the highest share of people living on less than \$1 per day.
3. Inequality is very marked.[1] Deininger and Squire (1998) found that the period from 1960 to the 1980s was the "golden era" of equalisation in sub-Saharan Africa. During that period, the Gini coefficient of inequality decreased within the region from about 49.9 to 39.6. In the 1990s, it again increased, to 42.3. This makes sub-Saharan Africa the second most unequal region in the world after Latin America.

In World Bank *scenario A*, with base case growth and rising household consumption, Africa would be far from halving poverty even under this favourable growth scenario. With low case growth rates (*scenario B*), Africa would not reach the target (halving poverty). Finally, if aggregate GDP growth in Africa over the next fifteen years were to equal the *average of the 1990s*, then progress in poverty reduction would be even slower than in scenario B, and the number of people living on less than \$1 a day at the end of the forecast period would not be lower than in 1998. The number of poor based on the \$2 per day level would actually increase.

In Africa, the number of people living in poverty would increase under all scenarios. If the lack of progress observed over the last decade with respect to other dimensions of poverty—life expectancy, school enrolment and child mortality—continues, as may well be the case if the AIDS epidemic is not stemmed, then the gap between the region and the rest of the world could widen significantly. This would be a grim outlook, not just for Africa but also for the whole world, and efforts are needed in the region and elsewhere to break with the recent pattern of conflict and crisis, and to deal with the AIDS epidemic.[2]

1. Nel 2003a and 2003b; Engel 2003; Fields 2000. Inequality refers to dispersion in the distribution of income between different percentile groupings of the total population; the distribution of productive assets (such as land) between different percentile groupings of the total population; and access to educational facilities and/or formal employment for different groups of the population, specifically gender groups. Cross-regional research shows that distribution of assets, in particular land, is a crucial factor and has clear and significant effects on long-term economic growth and human development (Deininger and Squire 1998).
2. http://www.worldbank.org/poverty/data/trends/scenario.htm#1990s.

Table 1. World Poverty (Number of people living on less than $1 a day, millions)

Region	1990	1998
East Asia	452,4	267,1
East Europe	7,1	17,6
Latin America	73,8	60,7
Middle East and North Africa	5,7	6,0
South Asia	495,1	521,8
Africa	242,3	301,6
World	1276,4	1174,9

Source: World Bank PovertyNet. www.worldbankorg/poverty/data/trends/income.htm

Table 2. People living on less than $1 per day and head count index, under scenarios of base case growth (scenario A) and low case growth (scenario B), 1990, 1998 and 2015

Region	Number of people living below $1 per day (millions)			
	1990	1998	2015 low case	2015 base case
Middle East and North Africa	5.7	6.0	6.2	5.1
Sub-Saharan Africa	242.3	301.6	426.2	360.6
Region	Headcount index (per cent)			
Middle East and North Africa	2.4	2.1	1.6	1.3
Sub-Saharan Africa	47.7	48.1	46.7	39.5

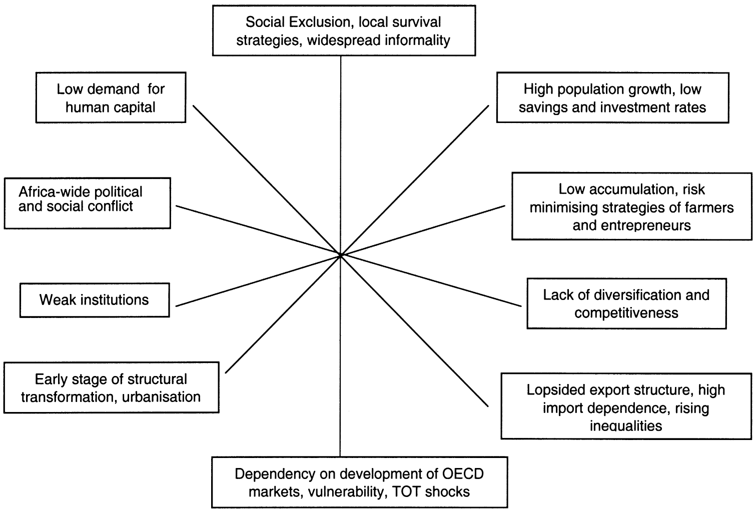
Source: Global Economic Prospects and the Developing Countries 2001.

While most economists agree that Africa has been characterised by stagnation and decay since the mid-1970s through to the beginning of the 1990s, there are varied opinions with regard to the current growth process. Numerous economic experts now presume that Africa is on the right path. There is talk about emerging African economies. In particular, several World Bank, IMF and even OECD documents seek to show that Africa is achieving a higher growth rate. Structural adjustment programmes are supposed to have helped in securing access to growth dynamism and initiating a process of catch-up.

A closer look, however, reveals that the majority of countries do not have sustainable growth rates. A simple calculation—based on World Bank assumptions—shows how long it will take to raise African average income (PCI). African countries would require an average GDP growth rate of 7 per cent over the next fifty years (including considerations regarding demographic transition after thirty-five years)[1] if the current average per capita income of $500 were to be increased to $3900 (as was the case in Botswana, in 2000). It would be totally unrealistic to assume that more than 10 per cent of African countries are in a position to achieve this growth (Kappel 2001).

1. On population growth and demographic transition, see Garenne and Joseph 2002; Murthi 2002.

Graph 1. Low-Level Equilibria Traps



Low-Level Equilibria

Debates focusing on poverty reduction are misleading. What is needed is a broader approach that tries to identify structural changes in Africa. In this paper we follow a concept of structural changes that makes it clear that Africa has fallen into low-level equilibrium (LLE) traps over the last forty years (Gelb 1999; Wohlmuth 1999; Mkandawire and Soludo 1999; Kappel 2001):

The dilemma of *high population growth, low savings and investment rates*, low marginal productivity and total factor productivity (TFP). The AIDS/HIV problem further intensifies this dilemma, as it is precisely the economically active and better-educated people who are affected.

The low contribution of TFP growth to economic growth also corresponds with low investment and savings rates. The domestic savings ratios in many African countries are higher than national saving rates, which means that debt is high, with interest and amortisation payments playing a big role. Numerous LICs pay a high proportion of factor income to creditors abroad. Consequently, national savings cannot finance investments. As a result, the investment performance is greatly determined by capital imports, with these coming for the most part from development aid. In many LICs, state enterprises have had sustained losses, thus creating budget deficits, which have in turn been financed by external savings. Private investors were crowded out.

A particularly important indicator of growth sustainability is the investment rate. The level of *national net investment* (NNI) in LICs lies below that of the majority of other continents and below that of the most successful cases, Botswana and Mauritius. There is, above all, a decline in NNI. The proportion of gross investment in GDP fell from 27 per cent (1971–75) and 30 per cent (1976–

81), to 17 per cent (1985–97). During the 1990s, the investment quota levelled off at 17 per cent. A slight but unstable increase in the investment rates can be detected in several CFA countries. As far as investment is concerned, the existence of a very high proportion of government investment in Africa is often overlooked. However, the physical infrastructure has not been built up to the necessary extent. From 1971 to 1998, national gross savings fell from 19 per cent to approximately 15 per cent. This is partly an expression of high capital flight. Only a few countries have so far come to experience a "virtuous circle" of higher savings and investment quotas, as well as demographic transition.

The *one-sided export structure* based on raw materials and agricultural products and *high import dependence*, which has been a feature for fifty years, resulting in structural biases and extreme revenue imbalances, in turn aggravating the employment problem. This has also led to high inequality of incomes in many African countries. One of the most significant factors of the one-sided export structure is terms-of-trade shocks (Deaton 1999; Cashin and Pattillo 2000). Opening up markets and integration into the world market can increase growth. After years of import-substituting industrialisation, the majority of countries are now adopting export orientation. The success of this opening up can be seen in only a few African countries. Since the 1960s, export products have remained almost unchanged, i.e., agricultural products and raw materials whose prices are subject to huge fluctuations. In addition, Africa's share of world trade declined from 1970 to 2000. A high world market share can be seen only in the case of crude oil exports. TOT shocks are particularly severe in Africa. Countries whose TOT have been temporarily positive, as in the case of several oil exporting countries (Nigeria, Equatorial Guinea, Angola, Cameroon), also registered destabilising developments. Specifically, these were high inflation rates, an increase in consumption instead of investment rates, inefficient use of increased state revenue and revenue orientation that relies on further increases in export earnings, leading to a one-sided raw materials regime and Dutch Disease, to name just a few. TOT shocks are reflected in the population's income and consumer risks (Rodrik 1999).

Revenue from the export of raw materials can be used to initiate change in economic structures, if Dutch Disease and income orientation are avoided and if—through liberalisation—local and foreign firms invest in industry and the service sector. This has been the case in Botswana where technological potential and competence have been gained and broadened. Capital and, hence, technology imports led to this success. The dilemma for African countries lies in increased investment in human capital in the face of a surplus of qualified technicians, engineers, skilled workers and business managers. Building human capital is expensive, especially when trained personnel emigrate (brain drain). As such, Africa should try to supplement the necessary macro-economic reforms by investing in education and infrastructure and by initiating macro-economic measures, if the conditions for enterprises (particularly small and medium enterprises) are to be improved. In other sectors where skill-intensive goods are produced, foreign firms could increase demand for qualified personnel by way of investments.

Table 3. Africa's advantages and disadvantages in foreign trade

Country Groups	Country Examples	Structural Advantages/Disadvantages
Export production zones/Countries with standardised production	Mauritius	Success through export; high import dependence on investment goods and semi-processed goods; low linkages: it depends, however, on government's economic policies
Countries with import substitution industrialisation	South Africa Zimbabwe	Creation of a domestic market; high import dependence on investment goods, higher protectionism; danger of unproduc-tive production; at the same time, a basis for export production
Raw materials exporting countries Oil	Nigeria, Gabon, Congo, Angola	Dutch Disease; volatile prices, declining income elasticity of demand; low linkage effects; export production as the basis for industrial development
Raw materials exporting countries Minerals	Liberia, Guinea, Togo, Congo (Zaire) Zambia, Namibia, South Africa	Dutch Disease; volatile prices, declining income elasticity of demand; low linkage effects; export production as the basis for industrial development
Countries with agricultural export production	Ivory Coast, Ghana	Unstable prices, low price elasticity of demand; TOT shocks
Countries with special advantages through EU preferential regulations (Sugar/bananas/meat)	Mauritius, Swaziland, Botswana	Reinforcement of one-sided production structures; industrialisation has made partial progress.
Countries with niche productio	Kenya, Senegal	Ethnic food and ethnic art; links to local producers are strong
Countries with service exports (tourism)	Senegal, Namibia, Seychelles, Botswana, Mauritius	Partly strong linkages to local economy (between enclaves of mass tourism and locally integrated tourism)
Global Commodity Chains - Original Equipment Manufacturing - Original Brand-name Manufacturing	Only South Africa and Mauritius	- Processed products, brand articles, profitable, requires qualified personnel, high productivity, quality - Processed products, brand articles, profitable, requires qualified personnel, high productivity, quality; local capital, local markets

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Measures taken by the state to cushion these external shocks are only rudimentary. During this whole period, national economic policies have hardly had any success in restructuring economies, which would lead to lower volatility and sustain growth. The state elite's low capacity to learn has led to recurring TOT and revenue shocks. Neo-patrimonial state elites continue to count on rents from foreign trade, while the lack of foreign direct and portfolio investment, as well as inaccessibility to bank loans, leads them to depend on development aid. One could also clearly say that Africa's export focus on primary goods is a reflection of her poor capacity to attract foreign capital and her higher dependence on development aid.

Many development theories have discussed the role of *income distribution* for economic development. Several development theorists claim that inequality could lead to increased growth (the wealthy are more likely to invest than the poor). Lipton, on the other hand, emphasises that the urban bias would be tantamount to surplus extraction from rural to urban areas, in which case the growth potential of the poor in rural areas would not be used more productively (Lipton 1977). Lipton's urban bias theory has been opposed on numerous occasions, since structural adjustments would have improved TOTs in favour of the farmer, thus profiting the rural population. Declining urban incomes relative to increasing rural incomes is supposed to have lowered inequality in Africa. More recent studies now confirm that (too) high an inequality is more detrimental to growth (Aghion, Caroli and García-Penalosa 1999) while low inequality is more likely to promote growth. There are, however, limitations to a redistribution policy. In very poor societies, even the most progressive taxation system may encourage low-income earners to invest as well. Should high-income earners be hindered from investing, a society's growth capacity is reduced (Perotti 1993:767).

Deininger and Squire (1996) made a comparative analysis of inequality in Africa and established a relationship between initial disparities in land distribution, which has a negative influence on growth. On the other hand, the relationship between economic growth and income disparity is not as high. The results of income disparities are not only reflected in land distribution but are also evident in financial markets. Access to loans is dependent on property, which is taken as collateral. Investment in capital and human capital is also impeded. Since there is also a significantly negative relationship between the unequal distribution of income and education levels, exclusion from the finance market is especially severe. The consequences are 1) The necessity of redistribution for enabling access to the capital market and hence investment, and the promotion of economic growth. 2) Redistribution measures that should not inhibit investment activity.

Most African countries are highly *dependent on the development of OECD markets*. Export growth in sub-Saharan Africa follows booms and recessions, and is also restricted by tariffs and non-tariff barriers and highly subsidised markets (agriculture, manufacturing) (Easterly 2000).

Lack of diversification and competitiveness: Poor diversification is a significant characteristic of African countries, although a number of countries now produce and even export a small range of manufactured goods (Jallilian, White and Tribe 2001). Exports of processed goods mainly occur from middle-income countries. Countries that have seen very high growth rates over the past thirty years are those that have since diversified their economies. This expansion of economic activity is also accompanied by growth in total factor productivity. This has not been the case in LICs, as these are still dominated by exports of agricultural and raw materials.

Minimalist strategies of entrepreneurs and farmers concentrating mainly on survival and risk minimisation due to the lack of trust instead of capital accumulation (Kappel 2003). The micro-economic level, i.e., entrepreneurship, households, rural and urban network relations, stand in the way of creating a capitalist market economy and of modernising African economies. Enterprises try to survive and to minimise risk. African social capital cannot catch up, and the local embedding of enterprises is often a reaction to the pressures of modernisation. Accumulation and growth is hardly possible.

In order to get enterprises to be competitive, one not only needs to remove rent-seeking or use rents as a source of accumulation of capital in productive sectors, but also to alter attitudes, the organisational and management culture of institutions, as well as the governance structures of economic processes. Global integration could be an option in eliminating the weaknesses of African entrepreneurship and social capital. That means reinforcing globalisation and developing a market economy would contribute to the reversal of the current stagnation. Removing poor competitiveness can no longer be achieved on a purely endogenous basis and by change of incentive systems. Governance can induce an upgrading in the above-mentioned sense, and hence the development of African entrepreneurship. This option portrays an economic variation of capacity and institution building.

Enterprises require specific knowledge and an open learning culture if they are to be successful. African entrepreneurship is not in a position to adjust to the fast moving changes in the world market on account of the said embeddedness, and also on account of inadequate interaction with "key players" both within and outside the countries concerned. There is a "local bias" and a lack of learning economy and learning culture, whereby learning and knowledge have strategic significance for entrepreneurial success.

Inability to make *structural reforms in the* face of *rapid urbanisation*, in order to use the necessary investment potential to secure urban employment, while at the same time significantly increasing agricultural productivity.

Since independence, Africa has been going through a transformation process that is characterised by a huge rise in urbanisation and an increase in informality. Rural areas have been de-agrarianised (Brycecon 2002), productivity is low and, in many cases, the survival chances of rural areas are very slim. The majority of the poor live in rural areas. In most instances they have no access to resources, or educational and health facilities. Physical infrastructure is in a disastrous state, and, for the most part, there is no increase in productivity or income. Rural production methods have been shaken to their very foundations and almost lost on account of the "urban bias" (Lipton 1977). Although urban populations are in a better position—due to better infrastructure, better access to clean water, health care and schools—the urban population is also poor. Most people are employed in the informal economy. The middle class is very small. In general, a *double exclusion*—de-anchoring and degradation—can be clearly seen. *The disembedding of traditional relationships* (the capacity of African rural systems to reproduce has been eroded) and the *exclusion of urban reproductive systems from modern structures* are taking place. The majority of the population is forced to follow a mixed strategy if survival is to be guaranteed. There are various forms of this but they all point to exclusion from the modern economy. Family networks, clans, ethnic groups and religious networks play a significant role in risk-minimising strategies (Kappel 2003).

Capital accumulation is very low. The reallocation of labour into more productive sectors has not yet taken place. The *micro level* is still characterised by informality. The seeds of modernisation and higher competitiveness are being sown by way of increased transformation and urbanisation, but there is no automatic link to accumulation. One runs the risk of reinforcing the dysfunctional side of informality through poor macro-economic stability and the still existing rent-seeking economy. In many states, the informal economy, illegal economic activities and the economy of war overlap and penetrate economic life (Chabal and Daloz 1999).

Limited demand for human capital: The extremely low level of "human resources" and the loss of expertise are a central obstacle to Africa's development. Life expectancy is lower in tropical countries: the health situation contributes to this with a high incidence of tropical diseases like malaria. AIDS/HIV is widespread and the level of illness within enterprises so high that labour productivity is low. As far as the education system is concerned, development lags far behind that of other world regions. The state of primary and secondary education is often very poor. The severe lack of trained engineers and skilled workers, coupled with a low level of technological competence, make take-off in Africa seem impossible. Labour productivity has fallen in many LICs. Capital endowment per worker is very low. Average total factor productivity has also dropped over the past twenty-five years (Berthélemy and Söderling 2001).

In cross-country regression analyses, the significance of human capital with regard to Africa's economic prospects is almost always demonstrated in light of the length of time spent in school. Quality standards are neglected. This approach, however, does little justice to a number of aspects. One indicator that is at least as important (and complementary) is professional competence. The majority of those employed in the informal sector often lack training, technical and maintenance competence and their efficiency is poor. There is a great need for research in this area, research that would make it clear to what extent school education and professional competence are interconnected (Zeufack 2001).

Weak institutional capacities, the state's lack of responsibility and reliability, as well as its poor public service standards and the danger of further dependence on development aid. Most countries are characterised by a "persistence of dysfunctional institutions" (Bardhan 2000:216). Empirical findings show just how unsustainable transformation and the reconstruction of institutions has been. Neo-patrimonial rent-seeking states are active almost everywhere. Political stability, secure property rights and development-oriented institutions are the crucial prerequisites for development. Without these, sustained development will not be possible. Public delivery services and poor infrastructure have been improved in some countries, but many problems have not been solved, i.e., quality standards, costs, inadequate electricity power supply, access to water, etc. The poor provision of public capital and services lowers a firm's productive investment. And low quality standards of education and health services will not lead to higher productivity (Reinikka and Svensson 2002; Bardhan 2003).

Military, political and social conflict, *state failure or collapse* negatively influencing many African countries (Mehler 2002).

To sum up: Africa is characterised by *structural economic instability.* The African economy has been more or less in vicious circles of cumulative causation. The debates going on in the donor community and the Washington institutions do not acknowledge structural instability, but instead focus on liberalisation and stabilisation.

Washington Consensus and Post-Washington Consensus Measures Can they help to reduce structural instability?

Since the end of the 1970s, the World Bank, International Monetary Fund, OECD countries and various development banks have tried to initiate the recovery of crisis-plagued economies by intervening through stabilisation programmes and structural adjustment reforms. The results of these efforts have been variously evaluated: on the one hand, there is the frequently voiced opinion that international finance institutions (IFI) have deepened the crisis instead of eliminating it. On the other, there is a belief that stabilising the economy and liberalising markets could easily bring about increased prosperity. In my opinion, both positions are extremely simplistic. However, there are increasingly clear signs that poverty in the twenty-first century world cannot be effectively reduced through the concepts promoted by the World Bank and International Monetary Fund. In order to reduce poverty, one requires an instrument more far-reaching than the measures proposed by the Washington and post-Washington Consensus.

What are the structural reform strategies of IFI? The Washington Consensus (Stiglitz 1998) is characterised by the following economic-political activities: establishing fiscal-political discipline, restructuring public expenditure, tax reforms, financial liberalisation, settling exchange rates, trade liberalisation, removing barriers for direct investors, privatising state corporations and deregulation. As a result of new findings, the post-Washington Consensus has, since the mid 1990s, been emphasising the need for institution building, human capital accumulation and knowledge (Stiglitz 1998; Kappel 2002).

However, economic liberalisation is and remains the core element of the Washington concepts. What are the resulting effects—short-term allocation effects and long-term growth determinants—from a theoretical perspective? *Short-term allocation effects* are attained through liberalising capital movement, in that savings flow into countries in which they can be utilised most productively, as can be observed in the net capital flow seen in developing countries over the past decades. Accordingly, liberalising world markets also leads to market expansion, while an increase in output of industrially manufactured goods leads to economies of scale. This neo-classical growth model, however, seems to have attained relevance in only a handful of countries. It is particularly those developing countries with industrial production and a developed domestic market that are in a position to profit. The winners also have easier access to capital. Developing countries without these conditions face more difficulties in establishing themselves in the world market.

The *long-term effects* expected of increased opening up to the foreign economy can be seen in much higher growth rates in gross domestic product as compared to countries with a local economy orientation. Of particular significance is the fact that greater openness in economies provides better opportunities for knowledge diffusion so that technological innovation and growth in productivity become easier to achieve. The *endogenous growth theory* shows that the accumulation of goods and human capital, knowledge and technological know-how makes a significant contribution to economic development. The problem, however, lies in the fact that it is precisely the industrial countries that are better positioned to realise the *increasing returns* postulated by endogenous growth theory. The result: is that convergence processes fail to materialise in the majority of developing countries, and instead there is increased divergence, and inequality between nations grows. Market liberalisation even tends to reinforce these processes (Pritchett 1997).

Different Starting Points for Growth

Development is dependent on the particular initial conditions, production and export structures. The liberalisation of markets and reform measures proposed by the Washington Consensus consequently have very different effects, depending on the constellation in which a country finds itself. Only those countries that are in a position to diffuse knowledge, further develop technologically and surmount obstacles in their economies can be successful. The crucial differences in structure can be seen in the following categorisations (Sachs 2000; Kappel 2001, 2003), which provide a rough picture that leaves out the differences within the groups, but clearly points out the existence of *fundamentally* different prerequisites leading to varying development paths.

A. *Developing countries with a self-supporting dynamism* (convergence countries, auto-centred development). Taiwan and Korea belong to this group of industrial countries with broad based growth.

B. *Catching-Up developing countries*: These are in a position to catch up with leading countries through technological diffusion. It is only through innovation, training and research efforts, i.e., human capital creation that they can improve their chances of catching up. China, Malaysia, Mexico, Thailand and Turkey belong to this group of developing countries. Many of these countries have made huge leaps in investments over the past decades (with an investment rate of over 25 per cent), with heavy investment in education (even technical education), while numerous countries record a high inflow of direct foreign investment. One notes that those countries in close proximity to the main centres of Europe, USA and Japan have been able to chalk up positive contagion effects, for example, by way of transferred industries from the OECD world.

C. *Developing countries with raw materials* ("Ricardo Countries"): Such countries find themselves in a difficult situation since they are often characterised by the Dutch Disease (i.e., a bias in economic structures in favour of the raw material sector, thereby placing all other sectors at a disadvantage), as well as huge external shocks and high income disparities. They are particularly exposed to external risks on account of market volatility (price and even terms-of-trade shocks, fluctuation in income and commodity terms of trade): The greater the external risk, the higher the general income and consumption risk for the country's citizens (Rodrik 1999). This group comprises almost all African, as well as numerous Latin American and Asian developing countries. These are also characterised by particularly grave poverty problems. Raw materials countries are in an especially difficult position, as far as escaping the development crisis is concerned, particularly if they are caught in the Malthusian trap whereby population growth is extremely high (above 3 per cent) and GDP growth is not reflected in increased per capita income (PCI) growth.

D. *Isolated economies*: These are characterised by low growth rates, very weak institutions, manpower emigration and geographic isolation, leading to a halt in development in the near future. This group is composed of several African countries (such as Malawi, Rwanda, Uganda, Niger and Burkina Faso).

During the past fifty years, only a number of African countries have achieved convergence, including the Seychelles, Mauritius and Botswana. This shows that development is not the norm in history. This situation is also confirmed in the study by Jeffrey Sachs, who, in a sample of 117 countries, only managed to filter out 23 (18 developed industrialised countries plus Hong Kong, Israel, Korea, Singapore and Taiwan) with an endogenous growth potential and a further 23 with catch-up options (Sachs 2000:584).

Chances and Limits of Structural Adjustment Reforms

In principle, the structural adjustment programmes (SAP) implemented by the World Bank would foster prosperity if they fulfilled basic macro-economic conditions such as realistic exchange rates and balanced balance of payments and budgets. If inflation is reduced, this can be assumed to conduce to a better investment climate and hence increased prosperity in the long term. It is precisely in rent-seeking states that SAP brings about greater justice as far as distribution is concerned, owing to liberalisation in markets, privatisation of state-owned corporations and restructuring of property rights. If one can manage to restructure state budgets in such a way that social expenditure and productive consumption (education and health expenditure) are not reduced, then distribution would be more just, for example in terms of access to land and loans (Fields 2001).

The following stabilisation successes have materialised: lowered inflation rates, reduced budget deficits/GDP, removal of state price controls, non-diversion from official and parallel exchange rates and an increase in exports due to realistic exchange rates. Stabilisation, however, is not equivalent to sustainable growth. In the majority of countries there is no increase in investment rates, there is a decline in industrial production and GDP growth rates are lower than expected (and are too low to allow for escape from the instability trap). In addition, increases in exports often result in abrupt and protracted phases characterised by very low prices and declining exports. Budget crises and imbalances in the balance of payments are the result. A national savings rate that is too low leads to the need to import capital in the form of development aid or foreign direct investment. As a result, many countries with stabilisation and structural adjustment programmes also get caught up in a far-reaching debt crisis.

It is for all these reasons that SAP has to be supplemented by establishing a link between macro-level reforms and micro-level actors (enterprises, farmers, etc.). Hence, one cannot only deal with the issue of changed conditions, human capital development and institutions (as postulated in the post-Washington Consensus), as well as a new development-oriented state role. Rather, one must also consider a new approach to changes with respect to inequality, poverty elimination, as well as to industrial and foreign trade policies. Two examples clearly point out the weaknesses of current strategies. *School education for all* is certainly desirable and also an intrinsic good (Sen 2001), but there is no automatic connection between increased growth and education. Not all school leavers will find employment or training solely because they can read and write, although their chances principally improve through education. Improved education thus also requires a concept of creating employment, for example through vocational training, promotion and incentive systems for firms and farms (Bils and Klenow 2000; Glewwe 2002; Hanushek and Kimko 2000).

Even *currency devaluations and trade liberalisation* may in the first instance seem desirable (and many studies even work out a plausible relationship with growth dynamism), but currency devaluations bring about an increase in import costs and hence export capacities. It is precisely the low-income countries (groups C and D) that rely heavily on the import of capital and manufactured goods that bear witness to the negative effects which then arise in the absence of compensation mechanisms, for example, in the form of tax-free imports of goods to be used in export production (duty draw-back schemes). Even where a reduction in export and import tariffs compensates for the effects of currency devaluation, there is no guarantee that currency liberalisation and reduced trade duties will raise exports. The capacity to export depends above all on the *production structure* and the capacity of firms and farms. In those countries with a developed industrial structure, liberalisations are more likely to act as an incentive to competitive production and export. In the majority of developing countries, however, such conditions are non-existent. Export farmers are capable of making use of them because of their ability to act more easily on the world market. Industrial enterprises, on the other hand, are often not in a position to withstand the challenge and disappear. These effects could be moderated through selective industrial and trade policies (Rodrik 1998, 1999).

Fighting Poverty Through Productive Investments

How can one establish a strategy capable of combating poverty and setting growth and development in motion in a sustainable manner? Growth is a prerequisite for combating poverty. When growth is non-existent, poverty can hardly be reduced unless there is scope for action to redistribute incomes and assets (for example, land rights for poor farmers). But if economic growth, which must exceed population growth, is a prerequisite for poverty reduction and employment creation, then the question arises as to how it can best reduce poverty. The arguments around this subject have been in constant flux for more than forty years. It was only after years of criticism that the World Bank acknowledged that structural adjustment reinforces social problems. In the end, a *Pro-Poor Growth Strategy*, i.e., concepts for directly fighting poverty, has been increasingly pursued (Klasen 2003).

Pro-Poor Growth signifies a shift from the old Trickle Down concept of the 1950s and 1960s and goes beyond the argument advanced by World Bank economists Dollar and Kraay (2002), in terms of which the income of the poor is supposed to develop in a ratio of 1:1 in relation to GDP growth ("growth is good for the poor"). Pro-Poor Growth is a strategy that acts to the benefit of the poor, thus helping to reduce their poverty. It necessitates the elimination of institutional and political biases against the poor. The consensus that has since emerged with regard to the Pro-Poor Strategy can be summarised as follows (Klasen 2003):

– Poor government leadership, corruption and political instability are a hindrance to investment, growth and poverty reduction.

– Private sector development (farms and firms) is perceived as central to growth, employment and poverty reduction. Capacity building, financial systems, micro-finance and dialogue between the state and the local private sector could provide a significant impetus.

– The local political economy is viewed as fundamental to a successful strategy. Pro-Poor coalitions are necessary if the poverty-reduction concept is to be implemented. Dialogue, empowerment of the poor (especially women) and the introduction of local research institutions are perceived to be significant.

As far suitable strategies for *trade and industry* are concerned, opinions differ greatly. This is particularly the case with regard to a proactive industry and trade policy. Structuralists and post-structuralists (Weiss 1995; Taylor 1998; Adelmann 2000; Hoff and Stiglitz 2001) see a need for action, above all in the industrial sector, and point to the successful catch-up nations of the past four decades, such as China and Korea. These were better able to utilise local opportunities through controlled market intervention, as opposed to being "pure liberalisers." Dani Rodrik (1999) has formulated *Do's and Don'ts* with regard to trade strategy, citing, for example, trade de-monopolisation, lower taxation of exports and access to duty-free import goods for exporters. He has concurrently drawn up a model of proactive trade policy. Rodrik presumes that export requires well-developed production, the establishment of which is actually the state's duty. Once these industries exist, incentive systems could help to create export activity. In economic-political terms, one should therefore concentrate on entrepreneurial and production growth, and not on exports, since export benefits have been overestimated. This position has been disputed: while Rodrik stresses the development of initial conditions, the World Bank holds fast to its position that growth can be stimulated through exports.

Structural Competitiveness and Growth

The previous narrative has shown that the Washington-driven reforms have afforded most countries, particularly those in groups C and D, little in terms of future prospects. More recent economic theories may point out how sustainable growth can be achieved. These theories include the endogenous growth theory, the new geographic economy and the neo-Schumpeterian economy, to mention only a few significant approaches. I have summarised them under the rubric of post-structuralist competition concepts, since they contradict the post-Washington Consensus concepts as well as the old structuralist approaches that rest their case above all on the state and on industrialisation based on import substitution.

The Krugman Model of economic geography (Krugman 1996; Fujita, Krugman and Venables 1999) demonstrates that the external effects of economies emerge more clearly in urban and regional agglomerations. In this respect, local purchasing power stimulates industrial settlement, the immigration of manpower and the establishment of research institutions. In the course of further economic integration, with its lower trade and transaction costs, it is those countries with a large demand market, characterised by an increasing division of labour and productivity, that are able to reinforce development through an active economic policy. The endogenous growth theory clearly demonstrates the role of human capital, research and development (R&D). It is above all those countries with developed human capital and R&D that are in a position to achieve greater economies of scale, that is, growth. The divergence between developed and undeveloped countries can thus increase: underdeveloped countries (groups C and D) are particularly negatively affected. *Institutions and social capital* are further aspects that play a significant role in the growth process. According to Abigail Barr (2002), social and economic networks, rather like an innovation network, are best suited to generating growth. It is precisely those enterprises with access to formal institutions, developed technology and distant markets that are involved in such innovation networks to promote business growth. Furthermore, innovative entrepreneurship is of importance, as clearly demonstrated over the past several years in the neo-Schumpeterian economic theories, according to which an entrepreneur constantly introduces innovations in a bid to increase competitiveness. Learning and knowledge play a decisive role and are the prerequisites for this endogenous—originating within the firm— innovation and imitation capacity. The market creates selection mechanisms, and uncompetitive firms drop out. These Schumpeterian approaches regarding the competitiveness of firms have been taken up by Michael Porter, and in the systematic competition concept (cf., Porter 1990; Meyer-Stamer 2002; Bass 2003). Ideas on national or regional innovation systems had their beginnings here.

How can competitiveness be achieved? According to Porter (1990), the long-term survival of an enterprise needs to be secured. A firm's comparative advantage emerges from cost or price advantages on the one hand, and through the product quality, design or service performance on the other. The strategy of product differentiation facilitates greater competitive advantages. In Porter's model, the following factors play a decisive role: being equipped with production factors such as manpower and infrastructure, among others. In addition, domestic demand must be present to stimulate investment and innovation within individual sectors and product segments. Furthermore, there have to be related supplier sectors (spatially concentrated sectors in the form of industrial clusters bring about positive externalities). Company strategy, the ownership structure and the motivation of management and workers are further considerations.

By contrast, those supporting *systemic competitiveness* (cf., Meyer-Stamer 2002), view the coherent combination of four levels as an essential reform. According to this approach, it is insufficient to consider the micro-level of enterprises when dealing with the competitiveness of nations and regions. The macro-level too, i.e., interest policies, exchange rate policies, budget and foreign trade policies of the state, are equally relevant, as are the meta-level (norms, culture) and the meso-level (institutions). The last-mentioned forms the central category in systemic competitiveness. Meso-policies are geared at specific groups of economic matters: for example, industrial policy would support a group of firms, while technology policy would stimulate the settlement of investors. According to this concept, the micro-level requires firms that perceive themselves as "learning enterprises," thus raising productivity and even product quality. For the firm, it all boils down to achieving a strategic competitive advantage. Enterprise networks, whether in the form of clusters or integration into global commodity chains, can stimulate the collective learning processes in a region. In this way, collective efficiency can emerge (cf., Schmitz 1999). How the meso-level carries out its task of reinforcing structural competitiveness is a question that basically cannot be answered. There are only a few examples of how it has worked in Africa (Pedersen 2003; McCormick 1999).

If one combines the above-mentioned competitiveness approaches with the findings of more recent economic theories, one will reach the conclusion that structural competitiveness comprises a system of micro-economic and national adjustment policies. The following aspects form a significant basis for the success of enterprises: productive and technological infrastructure, the efficiency with which every country increases its resources through institutions and social capital, as well as a macro-economic incentive system geared towards mobilising productive strengths. This is best achieved in those countries with sufficiently large markets and economies of scale, those that reduce transaction costs, those with research and innovation structures that enable the necessary spill-over, and those that are networked both horizontally and vertically so that economic externalities emerge. The findings of the economic and competition strategies clearly show that the state should pursue a proactive economic policy, in accordance with the post-structuralist competitiveness concept, to the advantage of firms and farms, thus enabling sustainable economic growth. An ongoing debate shows why firms face so many difficulties (see, for example, the case of Ugandan enterprises: Kappel, Lay and Steiner 2003; Reinikka and Svensson 2002). Sustainable economic growth entails above all, human capital development, R&D and the promotion of innovation networks. It is in this way that the effects and synergies necessary for improving the basis for industrial production will emerge.

What conclusions can be drawn from the previous findings with regard to the economic prospects of countries in groups A–D?

A. *Convergence countries* are characterised by a proactive economic policy, investments in R&D, a rise in education levels, innovative entrepreneurship and an opening up of markets, enabling them to catch up with the OECD world. They have become structurally competitive and have significantly reduced their poverty problems. This, of course, does not mean that they have no employment problems. These are, however, fundamentally different from those in countries in the three other groups.

B. *Catching-Up countries* follow in the footsteps of the first group, with state intervention in industry (support institutions, export subsidies) and investments in education and research. They attract high levels of foreign direct investment and have been able to achieve high growth rates over the past decades through internally and externally induced investment leaps. But they are characterised by huge disparities, an often inadequate transformation into modern market economies, huge employment problems and structural poverty.

C. Inequality and poverty are widespread in the group of *Ricardo Countries*. Demand for skilled labour exists only in the raw material sector. Investment in education and innovative entrepreneurship is low. The rift between poor and rich is particularly marked (higher Gini coefficient). Industrialisation processes through import substitution industrialisation (ISI) have seen little success. The countries often experience external shocks. There is a large informal sector, which faces many difficulties and cannot accumulate.

D. The *isolated economies* are hardly in a position to reduce poverty. This is due to high transaction costs, low economic performance, poor integration into the world market and inadequate capital accumulation. They are heavily dependent on development aid, which cannot provide the impulse for sustainable economic growth.

Sustainable growth can be achieved in groups C and D only with extreme difficulty. In view of development research, it has hitherto been unclear how these countries can escape their structural instability. The strategy of industrialisation through import substitution and even market liberalisation has not secured growth and eliminated structural instability. The transformation of rural areas and high migration into cities and towns have exacerbated poverty and employment problems. Whether the informal sector, in which most people have to survive, is the basis for endogenous economic growth, has yet to proved (Ranis and Stewart 1999).

Pro-Poor Growth and Structural Competitiveness

Very serious problems have arisen since the 1970s due to a lack of growth, low accumulation, failed industrialisation, very low productivity in agriculture, administration and industry, and inadequate institutions. Africa has thus been characterised by *structural economic instability.* Although World Bank concepts have changed greatly over the years and succeeded in stabilising African economies, their incentive systems continue to be inadequate. Enterprises only invest where the macro-economic environment is conducive, where there are incentive systems (for example, export promotion, selective protective measures business development services, regional and sectoral innovation systems) and where the institutional environment provides an effective stimulus. Post-Washington Consensus strategies were necessary but not sufficient. It remains to be seen whether the new Pro-Poor Growth Strategy will be a breakthrough. In order to reduce inequality and poverty, sustain growth and avoid further economic structural instability, Africa should combine pro-poor growth strategies with concepts of post-structural competitiveness. Research in this area is, however, still in its infancy.

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Comments on Robert Kappel

Anders Danielson

The idea of "structural stability" as a guiding principle for assessing the sustainability of the performance of low-income countries has piqued considerable interest, chiefly in Germany and particularly following the publication of the "*Afrika Memorandum*" in 2000. However, "structural stability" as an idea has been adopted by the European Commission since at least 1996. The initiative to disseminate these ideas to a wider audience and to discuss them is very welcome.

In my view, it is important to put the concept of structural stability into its context. The design of aid requires a theory of aid—a theory that links the particular forms of aid (money, for instance, or knowledge) to outcomes (such as growth or poverty reduction). A theory of aid, therefore, should specify how increased resources are translated into specific outcomes. Moreover, behind a theory of aid is—explicitly or implicitly—a theory of development, a theory about what makes a country develop. And behind that theory, there is always a conceptual framework that specifies the meaning of "development." Unfortunately, the framework is often not made explicit, and potentially fruitful discussions are sometimes stalled because of conceptual differences between discussants.

The economic theory of development has undergone major changes in the past fifty years. Since economics—for better or for worse—have had a tremendous impact on development thinking it is not surprising that the theory of aid has also changed dramatically. To properly understand why structural stability is regarded as important and useful, it is necessary to understand how the thinking about development and aid has changed. I summarise some salient features of relevant development of theory in Table 1.

In the 1960s, development thinking was characterised by rather simple and unambiguous models à la Lewis and Rosenstein-Rodan, among others. The basis was the Harrod-Domar model according to which economic growth (which often was assumed to be automatically translated into poverty reduction) was restricted by the availability of savings (savings were assumed to be automatically translated into investments, which in turn increased output proportionally). The corresponding theory of aid focused on resource scarcity as the major bottleneck. Several economists, including Chenery and Strout in a celebrated paper, noted that the Harrod-Domar model could be generalised so that investments could be limited either because there were insufficient domestic savings or because of a scarcity of foreign exchange, thereby hampering imports of investment goods. In this extended model, *foreign aid could substitute for domestic saving, but not vice versa*. Foreign aid was thus designed primarily to increase domestic capacity—to "fill the gaps," to use a common term of the times.

Table 1. Development of Development and Aid Theory

Approximate decade	Development tools	Aid tools
1960s	Physical capacity	Projects; capital transfers
1970s	Human capacity	Technical assistance; capacity building
1980s	Stabilisation; liberalisation	Programme aid; conditionality
1990s	Institutional capacity and quality	Institutional reforms
2000	Social capital	Holistic approach

The 1970s saw an increased focus on human capacity. In the 1960s, economists started to use the term "human capital," and soon singled out education as the most important factor. Development economists were quick to jump on this thought-train and developed a number of growth models with education at their centre. Aid organisations, too, increasingly emphasised the role of human capacity (even though aid theory often took a broader perspective, including health aspects in the equation as well). The 1980s saw a new role for the IMF, the advent of structural adjustment programmes and a focus on macro-stability and restrictions in the economy. Aid organisations followed by introducing programme aid (usually in the form of balance of payment support, given the mounting debt crisis and the dismal export performance of many recipient countries) and policy conditionality. The 1990s emphasised—following seminal work by North and Barro and others—institutional quality as a precondition for growth (however, economists still often assumed that poverty alleviation would follow automatically from economic growth). Aid organisations shifted their focus once again, trying to design aid for institutional reform, broadly defined. Finally, in the new millennium, the most recent fad among economists is "social capital." Partly inspired by political scientist Putnam and sociologist Coleman, this concept tries to capture relations between economic actors: "trust" and "networks" are two central concepts. Aid organisations have started to follow, mainly by introducing increasingly multi-dimensional analyses of core concepts, such as poverty, and have started to question—as do some economists—the unambiguous relationship between economic growth and poverty alleviation.

The important point is that while new trends have emerged with some regularity during the past fifty years or so, old ideas have not been abandoned. While development economists of the new millennium would not argue that physical capital accumulation is the *primus motor* in the growth process, they would still allot some room for investment and capital accumulation. A similar phenomenon can be observed with regard to aid theory and the design of aid. Consequently, *what we see is thinking characterised by increasing complexity.* Structural stability fits well into this situation by suggesting no less than seven major pillars for successful development processes. One reason for the attractiveness of structural stability is—in my view—simply that it can be seen as a refinement of recent developments in aid theorising.

The idea of theories is to provide some simplification—a road map to guide thinking. A map on a 1-to-1 scale is of little use. Complex frameworks run the danger of making us blind to the overall structure—they make us focus on the trees without seeing the forest. To avoid that danger, complex frameworks need to have clear and well-defined concepts that, ideally, are also amenable to quantification. The idea of structural stability is certainly not there yet, and it is not clear whether it will be able to reach that point.

I am thus not sure that the new framework is useful for aid organisations. It clearly serves the purpose of reminding us of the complexity of the development process (and it may thus be sobering for diehard econometricians, and hard-headed one-factor economists), but it is not clear that it can guide aid organisations in designing more efficient aid. Perhaps a parallel is the development of the poverty concept. Many donor organisations focused for a long time on income poverty, which is fairly easy to operationalise and to use as an objective in evaluations. The past ten years have seen increasingly complex poverty concepts in which security, room to manoeuvre, and human dignity all enter the definition. Are these concepts closer to reality? Yes, but they are much more difficult to operationalise and use in project evaluations.

The major advantage of structural stability as I see it is that it forces us to view development as an integrated whole of economic, political and social processes, and it requires comprehensive plans of action, not only for the recipient government, but for the donor organisation as well. Too often, aid is fragmented and few donor organisations manage to put all types of aid to one country under the same hat. Structural stability may force the development of comprehensive aid strategies, which may be particularly useful for donor countries—such as Germany—that use more than one organization to deliver aid, even to the same country, in the same sector or for basically the same purpose.

My final remark on Professor Kappel's paper is one of disappointment—or perhaps high expectations. Having read the paper, I feel like I have read an Agatha Christie mystery with the last five pages missing. Did the butler do it? Or was if the young niece? Professor Kappel's paper stops at the point the story starts to unfold. It is to be hoped that an expanded version will include a few pages (not necessarily five!) on the implications of structural stability for foreign aid. This, after all, is one of the major purposes of the structural stability exercise, and that is where the conceptual framework has its greatest potential.

“Structural Stability”—A Leitmotiv for African Policies? Background and Ambition

Andreas Mehler

Although we, as members of the African studies community, rightly criticise the media coverage of Africa as undifferentiated and overly focused on the catastrophic aspects of our neighbouring continent, we cannot shut our eyes to some realities. By any standards, including “endogenous” standards, the average African country has not developed in a positive way, and so-called model countries are rare and ever-changing.

By contrast, we find ever more examples of political and economic decay. Every peace accord signed in Africa is surely good news, and we witnessed some of them last year (Angola, Sudan, Burundi …), but they do not re-establish the standards of living and conviviality experienced before the war began and some accords appear particularly fragile. Consequently, the two most recent major crises, in the Ivory Coast and Central African Republic—although apparently they have now been brought to an end—represent two further major setbacks: two more countries are on the brink.

When all is said and done, the empirical evidence suggests that what matters on the continent is 1) survival, 2) physical security and 3) human rights and democracy in a broad understanding of the term: these are the preconditions for whatever we can call development. Peace is indeed now accepted as a valuable goal in itself and as a precondition for any kind of development, whether economic, social or political. This must be reflected in Africa strategies. But to date, development bureaucracies produce only a conglomerate of good intentions and cannot explain how those support or contradict each other. Only the notion of “human security” developed by UNDP and apparently accepted by African intellectuals has sought to achieve such a multi-dimensional approach, but not in a deductive way, and instead by building on UN-activities already being undertaken.[1]

It is in this context that the core notion in this paper, *structural stability,* has achieved some prominence in aid bureaucracies.[2] This term covers a wide range of aspects and might be the most comprehensive approach to concurrent and interrelated work for peace, democracy and economic development. The use of this term is still vague and needs to be thought through. Structural stability merits being questioned with regard to its basic assumptions and its suitability to replace *development*, with all its subcategories, as a guiding principle for Africa policies.

1. UNDP, 1994, *Human Development Report*, Oxford.
2. A good part of the following argument has been developed in a recent article: Andreas Mehler, 2002, “Structural Stability: Meaning, Scope and Use in an African Context”, in *Afrika Spectrum*, 37, 1:5–23.

Additionally, it should be tested as a heuristic approach to African studies. I will try to uncover what structural stability could mean when properly interpreted and, by doing this, identify possible new bridges between area studies, peace research and policy making.

What is Structural Stability?

Structural stability is a notion that has been used in the natural sciences for some time. In essence, it refers to a situation of stability that remains stable even if singular parameters change or when shocks occur. In the area of development policy, structural stability must be specified. According to a definition frequently cited:

Structural stability is to be understood as a term denoting a dynamic situation, a situation of stability able to cope with the dynamics inherent in (emerging) democratic societies. Structural stability could thus be defined as a situation involving sustainable economic development, democracy and respect for human rights, viable political structures, and healthy social and environmental conditions, with the capacity to manage change without resort to violent conflict[1]

This is the EU understanding of the term, but the influential "DAC Guidelines on Conflict, Peace and Development Co-operation on the Threshold of the 21st Century" (1997) give a slightly different twist to the definition:

> Structural stability embraces the interdependent and mutually reinforcing objectives of social peace, respect for the rule of law and human rights, social and economic development, supported by dynamic and representative political institutions capable of managing change and resolving disputes without resorting to violent conflict.[2]

While the EU definition stresses the need for dynamic adaptation, the DAC definition does not deal with environmental questions and is less ambitious concerning democracy itself. There are several other differences in additional papers and paragraphs within the same documents that could be highlighted, but to do so might over-emphasise the distinctive philosophies of the two organisations.

Taken together, the goals set out in these different definitions and clarifications are fairly representative of what was or still is regarded to be good for the developing world on the threshold of the new millennium. Broadly speaking, there are political, economic, ecological and social ingredients in structural stability that, in the end, all support the capacity of individuals, groups and institutions to manage change without resorting to violent conflict.

What matters most here is the assumption that all these elements are explicitly interlinked and *mutually reinforcing*.[3] There is no hierarchy of proposed targets.

1. European Commission, The European Union and the Issue of Conflicts in Africa: Peace-Building, Conflict Prevention and Beyond, Communication from the Commission to the Council, Brussels 1996.
2. OECD DAC, *Conflict, Peace and Development Co-operation on the Threshold of the 21st Century*, Paris 1998 (published as a booklet one year after the adoption of the Guidelines), p. 18. Further explanatory notes can be found in OECD DAC, *Helping Prevent Violent Conflict: Orientations for External Partners*, Paris 2001 (published in combination with the 1997 guidelines as *The DAC Guidelines Helping Prevent Violent Conflict,* Paris 2001).
3. This is where the concept has most in common with the thinking of the German peace researcher, Dieter Senghaas and his notion of a "civilisational hexagon", see "The Civilization of Conflict. Constructive Pacifism as a Guiding Notion for Conflict Transformation", in Berghof Research Center for Constructive Conflict Management (ed.), *Berghof Handbook for Conflict Transformation*, Berlin 2001 (http://www.berghof-center.org/handbook/cf.htm).

Different questions now arise, two of which may be particularly important: 1) Is the picture complete? 2) Is the assumption correct that the elements of structural stability are mutually reinforcing?

An initial look at the seven spheres of structural stability may help to answer both questions.

Economy

The most interesting and quasi-revolutionary aspect of the EU definition is the implicit "downgrading" of the previous main objective, namely sustainable economic development: it becomes just one ingredient in a broader approach. The disturbing aspect is the failure to bring about economic development in most parts of Africa. Robert Kappel has shown repeatedly that the chances for Africa to catch up are slim, leading him to question the usefulness of putting forward millennium goals we are almost certain not to achieve.[1] However, the regulation of most conflicts, including those in Africa, involve some distributive effects—think of the Tuareg rebellion in northern Mali or the remuneration of the RENAMO leadership in Mozambique.[2] The settlement of the conflict in the Ivory Coast involves the awarding of mostly honorific ministerial titles in the name of reconciliation. No doubt initially these are stipends.The next step should be even more costly: investment in marginal and now rebellious zones of a country. Without a material basis for distribution, this possibility is very constrained and can only be achieved through direct external support (which is largely the case in Mali and Mozambique). In this sense, *sustainable economic growth* is an important building block of structural stability—and frequently a very weak one in Africa south of the Sahara.

Ecology

Environmental "conditions" might be changed over time, but are also a given in a specific situation. However, it is the decline or improvement of such conditions that should be relevant to conflict. Specific shortages that affect parts of the population may arise from natural as well as man-made disasters or from gradual environmental degradation, leading to the loss of harvest, homes or work. Severe demographic stress could aggravate conflict, as in the case of Rwanda, although it would not be considered to be the main cause of conflict. We have not yet witnessed the predicted water wars on the continent, although some elements of them can be found in local conflicts.[3] However, since most environment-related dynamics on the continent follow a negative trend (deforestation, desertification, population growth, etc.) environmental security is increasingly likely to become an issue.

1. See his contribution in this Discussion Paper.
2. For Mali, see Henner Papendieck, Barbara Rocksloh-Papendieck, B., "Vom Südrand des Azawad. Konfliktbewältigung im Norden Malis", in Ulf Engel and Andreas Mehler (eds), *Gewaltsame Konflikte und ihre Prävention in Afrika. Hintergründe, Analysen und Strategien für die entwicklungspolitische Praxis*, Hamburg, 1998, pp. 77–102
3. Matthias Basedau and Andreas Mehler, "Strategic Resources in Sub-Sahara Africa: Conflict Potential or Peace Foundation", *Internationale Politik*, Transatlantic Edition (2003) 2, in print.

Society

The most interesting aspect in this realm is the clear positioning of the EU definition of structural stability beyond the neo-liberal agenda. In most parts of sub-Saharan Africa, distinct groups have very different standards of living, especially regarding basic needs, such as food, housing, jobs, health services and education. The most visible disparity might be between urban and rural populations. Some identity groups are continually denied access to goods and services (a well-known case being the pygmies in Central Africa, e.g., in Cameroon and the Central African Republic), while others enjoy them or are perceived as privileged. This does not necessarily lead to violent conflict, but political entrepreneurs can easily exploit the potential. The famous greed and grievance discussion tends to overemphasize the differences: Greed and grievance fit together very well. As you will understand from my chapter I am strongly opposed to the simplifying explanations proffered by Mr. Collier and his acolytes. *Social justice,* therefore, is a very real factor in peace.

Politics

There are apparently four major "political" building blocks in structural stability.

The conjunction of *viable political structures* with representative institutions already contains quite a bit of the old good governance formula. The viability of whole states and their administrations remains an issue on the continent as long as state decay or collapse characterise the fate of some African countries (Somalia, Sierra Leone and DR Congo being the most prominent examples). Beyond the nation state, sub-regional organisations function with different degrees of effectiveness: some not at all, others in some instances. Only a few months ago, I argued that ECOWAS was a positive case, but today I am not sure whether it has been seriously damaged by its failure to manage the Ivorian crisis. It can be asserted that national institutions matter in comparing, for example, the performance of constitutional courts in Benin (a positive case) and the Ivory Coast (a negative case).

The blunt statement in favour of democracy in the EU definition, and not merely of "participation" or some phrase of that nature, might be surprising. Implicitly, this is a preference for multiparty politics, not just fake versions of them. The peaceful transfer of power remains high on the agenda, judging from the situation in Zambia, Zimbabwe or Madagascar at the beginning of 2002, for example. But democracy must be experienced on different levels: locally, nationally and maybe even sub-regionally. It is hard to tell which way ahead is longest for Africa south of the Sahara.

The fact that human rights violations are one of the major causes and consequences of violent conflict in Africa needs to be acknowledged. Biased law applications by courts, the army and the police might nurture a "culture of impunity," with the potential to fuel existing conflicts (Burundi is a prominent case in point). As witnessed in many African countries, lynch-mob justice is a consequence, un-official prisons are set up and official security forces lose their legitimacy. All these features can be found in Cameroon, a seemingly stable country. How stable is it when you look closer? *Rule of law* is undoubtedly a major condition for guaranteeing human rights. The two go together.

Exclusion is rightly identified as one major cause of violent conflict in Africa. This is particularly true of societies that are based on zero-sum beliefs, which are very evident in the rhetorical formula, "partition of the national cake." What is not reflected in official formulations are the "nuisance capacities" of the excluded. To developing a realistic policy, it is crucial to understand the frustration and, indeed, the life-threatening consequences arising from exclusion. It may well be that marginal groups have no means or organisational capacity to sustain violent conflict (the aforementioned pygmies, for instance), while other groups and segments of the elite do, such as "powerful losers" after a democratic transition with exclusionary tendencies (e.g., Central African Republic under Patassé). Majorities can be excluded as well (Burundi since 1965). Numerous are the African cases in which key decision-making positions in the presidency, cabinet, parliament, military and judiciary do not include representatives of all major identity groups—with frequently serious consequences. In addition, most jobs in the civil service, police and army may be reserved for members of one or two specific groups. Since exclusion is a radical strategy employed by those in power, responses tend to be radical as well, leading to rapid deterioration and polarisation. For reasons of realism, the last political building block of structural stability might better be termed *inclusion of major identity and elite groups*.

This reflection leads us to the proposed configuration of the building blocks of structural stability.

– Economy: sustainable economic growth
– Ecology: environmental security
– Society: social justice
– Politics 1: viable political (and administrative) structures
– Politics 2: democracy (including transfer of power by elections)
– Politics 3: rule of law and human rights
– Politics 4: inclusion of major identity and elite groups.

All these structural factors might influence the capacity of societies and political entities to manage change without resorting to violence. Additionally there is a "soft factor" that is complementary to, but distinct from, structural stability: the (learned) capacity of individuals, groups and institutions to deal with conflict or transform it. I will not deal with the "cultural" elements of a peace order, although they clearly matter and may vary between cultures on the African continent.

Let us question some of the assumptions and maybe gaps in this concept. To start with: What are the links between the seven ingredients of structural stability? Is it possible to substantiate the argument that the factors are mutual reinforcing?

Sustainable Economic Growth

In the context of widespread misery and appalling poverty rates, economic growth is a precondition for any distributive policy, which could be a main pillar in the "capacity to resolve conflict without resorting to violence." The building blocks of social justice and inclusion depend on positive growth rates. As the rare Gini calculations for African countries suggest, they are not enough: economically better off-countries (like the RSA with a Gini index of 59.3) frequently have worse ratings than poorer ones (such as Mauritania with 37.3). Although economic growth is necessary for structural stability, it is far from being sufficient or even self-sustaining: economic growth is heavily dependent on efficient state structures and institutions. In so far as it depends on investment, economic growth is more likely in a context of the rule of law where foreign and national investors feel secure.

Environmental Security

It is not by chance that the stresses arising from scarce and degraded resources impact heavily on African societies, particularly since they frequently depend on agrarian production.[1] Climate change and erosion accordingly have more significant effects here than in the industrialised world. Resource scarcities result from population growth, degradation and/or access problems. Serious studies on resource conflicts stress the complexity of intervening—including political—factors. The conflict over the Senegal River border zone between Senegal and Mauritania, which involved the mutual expulsion of citizens, clearly involved questions of inclusion/exclusion and was related to pressures for more democracy. Environmental security can also be seen as a confidence factor that facilitates basic popular investment. So here, as well, key linkages can be established.

Democracy (including transfer of power by elections)

Political rights and civil liberties have made spectacular progress on the continent since 1990, but democratisation was not exempt from brutal reversals in some of the more hopeful cases. Some newly elected governments revealed great zeal in manipulating "second elections" in order to remain in power (recent examples include Zambia and Madagascar). Others used outright violence, as in Congo Brazzaville. This points to the serious shortfalls in a democratisation that was often superficial and not related to the other building blocks of structural stability:

Viable Political (and Administrative) Structures

State structures and institutions allowing for inclusiveness and participation need a democratic environment to flourish. It can be observed that states with the most efficient institutions, particularly in the security sector, are not necessarily the most

1. See e.g., Günther Baechler, *Violence through Environmental Discrimination.* Dordrecht, Boston and London 1999.

democratic on the African continent (e.g., Ethiopia, Rwanda). This type of authoritarian abuse can be controlled only in a constitutional state though the rule of law.[1]

Rule of Law and Human Rights

The substance of the rule of law can be distinguished from the institutions usually associated with it, the judiciary, police and prisons. But a minimum efficiency of core institutions is needed to guarantee the rule of law and respect for human rights. The inefficiency of the judiciary can be reinforced by the unequal or unfair enforcement of the law by the security sector. The connection to the Inclusion pillar also matters: the chances of biased application of the law increase where security forces are not drawn from all the sides in the conflict. The thorny issue of integrating or respecting a wealth of customary laws is another bridge to the inclusion issue. The rule of law is also a major requirement for attracting the private investment that is needed to foster economic growth.

Social Justice

State failure over time to address group demands and to distribute available resources equitably between groups is an important indication of potentially escalating conflict. It is not poverty as such, but rather grievances associated with extreme social injustice (e.g., access to health services and education) that seem to be a good starting point in the careers of ruthless political entrepreneurs who may use this capital to follow dangerous and violent agendas. Samuel Doe, who came from the much-neglected Liberian hinterland, may be an example of the type. In the end, Doe favoured only a very small section of his original power base. Participation through the appropriate channels in the formal system is more promising. An acceptable standard of social justice can inspire confidence in the viability of institutions, thereby representing yet another aspect of inter-relatedness. On the other hand, a maximalist redistribution policy should not prevent high-income earners from investing, since this would reduce the chances of economic recovery and, ultimately, growth.

Inclusion

Inclusion/exclusion are multidimensional processes and may refer to economic, political or social aspects[2] and vertical and horizontal segments of a society. At an elite level, inclusion lowers the risk of violent refutation of governments by losers in—perhaps unfair—elections and other power struggles. The ideal form of Africa's neo-patrimonial regimes—eventually realised in countries like Kenya and

1. Decentralisation is one of the most common answers provided by donors for state failure. I still think that the relationship between structural stability or crisis prevention and decentralisation is far more complex. See Andreas Mehler, "Decentralization, Division of Power and Crisis Prevention: A Theoretical Exploration with Reference to Africa", in Tobias Debiel and Axel Klein (eds), *Fragile Peace. State Failure, Violence and Development in Crisis Regions*, London, 2002, pp. 72–85.

2. See, e.g., René Lemarchand, *Exclusion, Marginalization and Political Mobilization: The Road to Hell in the Great Lakes*, (Occasional Paper) Copenhagen, Centre of African Studies 2001. A. de Haan, "Social Exclusion: Toward a Holistic Understanding of Deprivation", in Gudrun Kochendörfer-Lucius and B. Pleskovic (eds), *Inclusion, Justice, and Poverty Reduction* (DSE: Villa Borsig Workshop Series 1999), Berlin 2000, pp. 45–58.

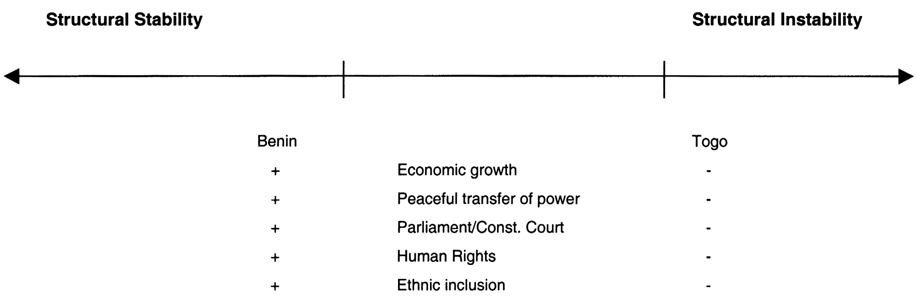
Cameroon during the 1970s—provided a high degree of inclusion on the elite level, but never resolved its internal contradictions, including the absence of democracy.

So in sum, it is possible to establish plausible positive linkages between the seven building blocks of structural stability.

But the opposite picture, of mutually reinforcing elements of structural *in*stability, might be a test of this model as well: It can be argued that prolonged economic decline, environmental decay, social injustice, deficient political institutions, the absence of democracy and unclear succession rules, the disrespect for human rights and exclusion are mutually reinforcing ingredients of "structural instability."

While there are probably no ideal cases of "structural stability" and "structural instability" on the African continent, a continuum between both poles can be built.

A cursory comparison between a better and a worse case over a decade might help understand what is meant here: Benin has a fairly stable and inclusive polity with a seemingly functional parliament and a courageous constitutional court. It has lived through two transfers of power in the 1990s, and it had positive GDP growth rates in the 1990s (1990–97: 1.7 per cent, 1998: 4.5 per cent). By contrast, neighbouring Togo has constantly refused fair elections despite popular pressure, the fate of its authoritarian government is contingent on the health of a single person, there is marked ethno-regional polarisation and it had negative growth rates during the 1990s (1990–97: -1.6 per cent, 1998: -2.1 per cent. Figures according to Kappel). Environmentally there is no marked difference: both countries share roughly the same climatic zones, vegetation and population dynamics. There is certainly room for improvement in Benin (particularly with regard to the rule of law and economic progress) as there is room for decay in Togo (state collapse or open civil war). But already, a comparison shows that both countries live at very different stages of structural stability. A closer look in both cases would reveal to what extent the different elements of structural (in)stability are interlinked.



The next step to prove the academic usefulness of the concept is the building of an analytical framework that permits proof of the assumed linkages. One possible approach is the construction of profiles in deficits or potentials with regard to structural stability and a follow-up of their changes over time. Some debate about indicators needs to take place to waterproof this approach,[1] but I will rely on a more-or-less impressionistic representation (see sketch opposite page).

Explanation: Before the coup in 1999, this so-called island of stability had severe (and generally underestimated) shortcomings in most pillars of structural stability, so the surprise with which the end of the Bédié regime was greeted was not justified. The Gbagbo government certainly has much better ratings for elections and democracy in general, since the Ivory Coast under Bédié had just a façade of democracy and completely manipulated elections. The election of Gbagbo certainly left an aftertaste with the disqualification of several candidates, but it was fairer than anything else the country had experienced before. And after all, pluralistic elections were held on all levels under Gbagbo. At least as important, his government also managed to get the economy a bit more on track. While growth rates in 2000 were below zero, the forecast for 2002—before the rebellion—was at an African average of about 3.1 per cent (and now is forecast well below zero, possibly—4.0 per cent). But two pillars need more attention: there is a constantly low value with regard to inclusion, and there has been continuous decline in the viability of administrative structures since the Guéi interplay. With the crisis came an unprecedented economic breakdown and we have to expect negative growth rates this year. The hardest hit are the poorer layers of society, so social justice logically diminishes, and the capacity of the administration has further declined, at least in the zones under rebel control. A positive factor may be the first class representation of northern elites in the newly formed government, thereby allowing for somewhat of an improvement in the inclusion standard. This should not be confused with the representation and inclusion of the whole northern populations. I think such a presentation gives a fairly differentiated overview of the dramatic changes in only three and a half years.[2]

My assumption is that by multiplying this effort in building profiles across states and time we should get a better insight into the nature not only of structural stability, but also of our contribution to it. This offers the possibility of escaping apodictic judgments about the viability of states and societies throughout the whole continent. The drawing up of "profiles" of structural stability/instability

1. Several initially relevant indicators are used or proposed by international organisations (e.g., World Bank, UNDP), academic projects (e.g., the Minorities-at-Risk project of the University of Maryland) and as part of early warning devices. Their value for the concept of structural stability still needs to be examined.

2. Prospects for the peace process in the Ivory Coast are at best still shaky (in April 2003). While the cabinet has finally met (including all rebel ministers), fighting goes on, particularly in the west of the country. Several reports have now underlined the connection with the civil war in Liberia with Global Witness publishing a report that stresses the involvement of Charles Taylor in the Ivorian crisis (*Global Witness: The Usual Suspects. Liberia's Weapons and Mercenaries in Côte d'Ivoire and Sierra Leone*, London 2003). See, as well, Comfort Ero and Anne Marshall, "L'Ouest de la Côte d'Ivoire: un conflit libérien?", *Politique Africaine*, 89 (2003), pp. 88–101. The NAI recently held a conference on the issue and is about to publish a collective work, see CODESRIA/NAI: Communications. Conference on Identity, Security and the Negotiation of National Belonging in West Africa. Reflections on the Crises in Côte d'Ivoire, Dakar, 15–16 May 2003. Only when all major structural problems of the country have been addressed—the most salient ones have been listed in the annex of the Linas-Marcoussis peace agreement in January 2003—in an appropriate way (a long-term project) is there a chance to escape structural instability. However, in the short term, the political will of major actors—in and outside the Ivory Coast—is decisive in preventing a second escalation of violence. The current volatile situation does not permit any prognosis based exclusively on the seven structural factors, but such a presentation can reinforce the argument that the country will remain unstable for a substantial period.

Sketch of a Profile of Structural Instability

Sustainable economic growth	Environ-mental security	Social justice	Viable political + administra-tive structures	Democracy (incl. transfer of power by elections)	Rule of law and human rights	Inclusion of major iden-tity and elite groups.
	xxxxxxx		xxxxxx			
	xxxxxxx	xxxxxx	xxxxxx		xxxxxx	
xxxxxxxx	xxxxxxx	xxxxxx	xxxxxx		xxxxxx	xxxxxx
xxxxxxxx	xxxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx

(Ivory Coast, December 1999)

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(Ivory Coast, August 2002)

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xxxxxxxx	xxxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx

(Ivory Coast, March 2003)

would reveal that there are distinct shortcomings or potentials in different building blocks of structural stability in different African states or societies. An approach of that nature permits one to cluster cases and identify "types of structural stability/ instability." This, in turn, could be a valid starting point for a more differentiated academic reflection and for targeted strategies by policy makers in North and South.

However, important questions remain and need to be discussed. Let me start with some questions about practical implications.

Inherent Contradictions: Is it possible that some short-term goal associated with one building block would contradict another building block of structural stability? This seems to be the case with rather unstable power-sharing arrangements advocated in the name of inclusion (take Burundi or South Africa, for example) that might cement primordial identities that stand in the way of the "real" civil society necessary for sustaining democracy in the long run. However, urgent action is sometimes needed to stabilise a situation in the very short term without regard to every ramification for long-term structural stability.

Priorities: One of the most serious critics of the "Afrika Memorandum" claimed that the contradictions in prioritising actions in the political and economic realm would not be solved through such an approach. Indeed, they are not solved, since the limitation of means clearly requires the identification of priorities. What the approach does accomplish, however, is to open horizons and force policy-makers to ask themselves how far a chosen course influences the other supposedly interrelated poles of structural stability. Priorities still have to be identified, but what are the guidelines for this? Some would argue that human rights and democracy should be placed at the top of the hierarchy, and the preponderance of political building blocks in the definition may point in that direction.

Sequencing: Is there an ideal sequence for developing structural stability? Is structural stability built in a spiralling way, adding bricks to each building block before reaching a higher level and starting the building anew? Or could there be shortcuts? Clearly this question is very much related to the previous one.

External factors: The impact of external factors is conceptually underdeveloped in the DAC and EU definitions. Donors must acknowledge that they form an integral part of the game. "Vulnerability" of national economies in the context of a global economy is a factor to be considered when sustainable growth does not materialise. The international finance order and trade regimes have to meet the test of structural stability as well, but what would be the criteria here?

Point of reference: It could well be artificial to see the African nation state, with its boundaries, as the natural point of reference. Cross-border dynamics as well as sub-national balances must be better reflected for good empirical reasons: the visible impact of migrations by refugees and internally displaced people, but also the chances for regional co-operation.[1] Structural stability has to be extended beyond the nation state.

Monopoly of force: Can Africa—which did not live through absolutism, nationalism and a bourgeois revolution, which were the conditions for the emergence of a monopoly of force in Europe—possibly make progress towards structural stability without a monopoly of force?[2] Would a "legitimate *oligopoly* of force" related to a pluralism of norms and niches of autonomous (traditional) power be an impediment to structural stability? Is a monopoly of force a "dead-end street" not leading to structural stability or pragmatic adaptation? Is a merely technocratic "security sector reform" a response to a historical different situation? And if we insist on the necessity of this monopoly of force, are we faced with the necessity of the actually unacceptable use of force to establish a monopoly of force (as in Europe)?

Actors: Finally, structural stability seems to be confined to structures and does not sufficiently address the actors of stabilisation and destabilisation who might be supported, controlled or repelled from outside. A more political understanding would help to identify local coalition partners based on criteria still to be developed.

These and other questions show that the approach sketched out above is still a rough one and that the connection between the seven cornerstones in a given case might be mediated by still other factors (or by very specific sub-factors). There is still much to be discussed, but I argue that this model is less presumptuous than others.

But why is the approach a valuable starting point for designing Africa policies? The main argument can be summarised in four points:

- Poverty-reduction should not be the main orientation of Africa policies as it may not address the main concerns of Africans for physical security, on the one hand, and the crucial hard "security" interests of the donor community, on the other. Structural stability is a leitmotiv that incorporates all dimensions of a society capable of managing conflict without resorting to violence.
- The notion of structural instability and the construction of profiles of structural stability/instability permit us to situate countries and societies on a multidimensional system of coordinates, thereby permitting the development of differentiated strategies in varying situations.

1. See some further reflections in Andreas Mehler, "German Post-Conflict Reconstruction Efforts in Africa: Are the Relevant Questions Addressed?", *Newsletter "Deutsche Außenpolitik"* (http://www.deutsche-aussenpolitik.de/newsletter/issue10.pdf), forthcoming.
2. This is a very sensitive issue, particularly for foreign policy makers accustomed to having state representatives as their counterparts. However, it is obvious that there are currently a multitude of areas where a number of "violence actors" can claim authority. An illustration of the current situation in one border area on the continent is given by Janet Roitman, "New Sovereigns? Regulatory Authority in the Chad Basin", in Thomas Callahgy, Ronald Kassimir, and Robert Latham (eds), *Intervention and Transnationalism in Africa*, Cambridge 2001, pp. 240–63.

- The concept also offers the possibility of situating various donor activities and building coherent strategies in search of a "peace-order."
- The concept has some features in common with "human security" and may be more acceptable to African counterparts than any other comprehensive framework developed far away from the continent.

The New Partnership for Africa's Development (NePAD) A Step Towards Structural Stability?

Henning Melber

Relevant stakeholders on the African continent initiated the twenty-first century with The New Partnership for Africa's Development (NePAD), a new offensive to advertise Africa's preparedness to seek closer cooperation with dominant global actors and integration into the existing world market (cf., Melber 2001, 2002; Kössler and Melber 2003). This paper seeks to complement those of Kappel, Danielson and Mehler on the economic and political aspects by providing an overview of the possible impacts of NePAD[1]. It places the goals and perspectives of the emerging strategies into the particular context of links with the main actors. In the global economy, these are the leading industrialised countries of the Organisation of Economic Cooperation and Development (OECD) as represented in the G8. From a continental perspective, they are the forces (re-)grouping within the ranks of the African Union (AU) for hegemonic control of the body's political orientation. After a summary overview of the current trends, NePAD's relevance for Africa is provisionally explored by assessing the type of interests and the degree of representation it is able to claim for its socio-economic and political development strategy.

Background to NePAD

The efforts to identify common aims and objectives among African countries by means of a policy document can be directly linked to the proactive role played by South African President Thabo Mbeki. With the democratic transition in South Africa, the country emerged during the second half of the 1990s as an important political factor on the continent, actively assuming, or at times passively receiving, a leadership role that extended far beyond its borders. In the late 1990s, Thabo Mbeki coined and popularised the African Renaissance—a concept partly rooted in various elements of earlier philosophical discourses on Pan Africanism, Negritude, Ubuntu and Black Consciousness. The African Renaissance project contributed to the revitalisation of values considered and appreciated as both genuinely African and genuinely human. It failed (or maybe never intended), however, to establish a political strategy applicable to matters of applied policy.

Parallel with this philosophical dimension were the efforts to position South Africa in a leadership role on the African continent in terms of its foreign and eco-

1. The text has been considerably revised and updated since the Workshop and is nearly identical to a Danish version to be published in a forthcoming issue of *Den Nye Verden*.

nomic policy. Within this process, Mbeki's foreign policy approach could be characterised as "a complicated and sometimes contradictory mixture of ideology, idealism and pragmatism" (Olivier 2003:817). This approach competes with the ambitions of other countries to play a leading role, especially countries from the North and West African regions, and in particular the agenda of Libya's Col. Gaddafi in the transformation of the Organisation of African Unity (OAU) into the AU (see Morais and Naidu 2002; Sturman 2003). In direct competition with this hegemonic ambition went the parallel translation of the African Renaissance into policy concepts and programmes and their systematic introduction into the international arena, which can be dated to the briefing on the "Millennium Africa Renaissance Programme" (MAP or MARP) provided by President Mbeki to the World Economic Forum Meeting in Davos on 28 January 2001. At the conference of ministers of the UN Economic Commission for Africa (UNECA) in Algiers (8–10 May 2001), the South African government presented the "Millennium Partnership for the African Recovery Programme" (Pretoria, March 2001) as the updated and final version. On the same occasion, Senegalese President Abdoulaye Wade presented an "Omega Plan for Africa" and UNECA a "Compact for African Recovery." This relative diversity illustrated differences in opinion and approach even among those who later entered the club of NePAD founders.

> Only hard bargaining managed to prevent Wade's Omega Plan from sabotaging African unity before it had even begun, particularly when Wade began claiming that his plan was "a practical initiative for overcoming Africa's economic difficulties," while the MARP was "more of a manifesto." Yet Wade's plan was *extremely* problematic and did not deserve the status that it was given (though no doubt satisfying the ego of its author). (Taylor and Nel 2002:173; their emphasis)

The documents were finally tabled in a merged version at the OAU Summit in Lusaka. This diplomatic compromise, aimed at reconciling different interests and approaches in a face-saving manner, prevented the initiative(s) from ending in a *cul-de-sac*. The final draft was adopted by the heads of state at their OAU Summit meeting on 11 July 2001 as "A New African Initiative" (NAI). Subsequently, in Abuja on 23 October 2001, an implementation committee of heads of state renamed the modified document "The New Partnership for Africa's Development" (NePAD). The initiative had by then matured and been consolidated under a sort of power-sharing arrangement among the more influential African countries—Nigeria, South Africa, Algeria, Egypt and Senegal—thereby at least nominally uniting the main portion of the continent's total annual Gross Domestic Product. According to World Bank figures, the combined GDP of Nigeria and South Africa alone totalled 57 per cent of that of sub-Saharan Africa in 1999. This underlines the fact that the initiative is a combined one of the two leading "economic power houses" south of the Sahara. This situation already suggests that their interests as societies closest to emerging markets, with opportunities for some of their economic segments to benefit from "catch- up" efforts aimed at more collaboration and exchange with existing structures in the world economy, might be different from the economic interests of most other African countries.

It is, therefore, no surprise that the NePAD blueprint in both its economic and political dimensions has not yet been fully accepted and internalised among AU member states, if at all, and has remained remote from most African civil societies. Increasing reference to the acronym and the principles it stands for, however, has gradually led to their introduction into current political discourse on the continent, even if they are not yet social reality. However, as a result of a series of meetings since early 2002 aimed at achieving a common understanding and the formulation of an implementation strategy, the process of making NePAD a reality in African politics has increasingly gained ground.

A Neo-Liberal Globalisation Strategy?

Critical assessments of NePAD point out that it fits nicely into the neo-liberal mainstream of globalisation and is fully in line with the economic strategy of South Africa's present government, which seeks closer integration into the dominant structures of the world economy (see Bond 2001, 2002a). Similar critical suspicions of the global policy orientation have also been expressed about the AU, which "does not signal isolationism and withdrawal from the forces of globalisation, but rather a form of engagement on its own terms, seen as a means of strengthening bargaining power" (Brydon and Love 2001:320). As Taylor and Nel (2002:166) have warned, the inherent danger in such an opportune or opportunistic strategic move may lie in the underlying message that serves to legitimise instead of aiming to restructure existing global power relations, of which African countries have been the victim. These authors express the further suspicion that the driving force behind such a policy may be the "linkage between globalisation, export-driven trade policies and a nascent transnational elite," and maintain that "making neo-liberalism somehow 'work for all,' rather than rethinking the overall global trading system, is the key strategy of South Africa particularly and New Africa more generally" (ibid.). There is, indeed, evidence that the current unprecedentedly large expansion of South African capital into the African continent (see Daniel, Naidoo and Naidu 2003; Naidu 2003) is also reflected in the particularly active and strategic involvement of the South African ministers of trade and finance in current efforts to modify the global economy under the WTO (see Jawara and Kwa). Similar reservations were articulated by some 200 organisations from forty-five African countries that met in early January 2002 in Bamako to prepare inputs into the World Social Forum, within the framework of an African Social Forum. In the Bamako Declaration, they expressed the concern that NePAD "was based on accepting the neo-liberal analysis and strategies of the rich countries and was therefore not acceptable as a basis for planning Africa's future."[1] Among others, Tandon (2002) charges that the NePAD architects rather consulted with Western capitals and representatives of international capital than their own

1. See for the full text as well as other critical comments the documentation compiled by Bond (2002b). More insights into the critical debate among African scholars and other civil society actors are also presented in Anyang' Nyong'o et al. (2002).

people. He concludes that, "putting the representatives of the donor countries and international private capital ahead of the people of Africa in the consultation process was not, to say the least, a very wise strategy."

The executive secretary of the Dakar-based but continent-wide social science umbrella body CODESRIA, which had been involved in a series of meetings on NePAD, summarised the general distrust of and reservations about the blueprint on behalf of critical intellectuals in this way: "The NEPAD document reflects many of the assumptions that underpinned the neo-liberal economic, social and political reform agenda for Africa during the 1980s and 1990s" (Olukoshi 2003:11). He, therefore, warned that "the essentially neo-liberal framework that informs the economic principles and direction spelt out in the NEPAD document represents a setback in the African quest for a return to the path of sustained economic growth and development" (ibid., 26).

NePAD and the G8

In one part of NePAD's "Mobilising Resources," there is a section entitled "The Market Access Initiative" (articles 156 to 173). It identifies Diversification of Production, Mining, Manufacturing, Tourism, Services, Promoting African exports and the Removal of non-tariff barriers as seven relevant components. This shopping basket illustrates the profound orientation of NePAD towards the OECD and, in particular, the G8 countries. The NePAD perspective had been summarised in this respect rather aptly as "a simple bargain with the international community" (Mills and Oppenheimer 2002:96).

Initial reactions from the industrialised countries indicated immediate appreciation of the initiative and the "selling strategy" pursued by Thabo Mbeki and his team at the G8 summit in August 2001 in Genoa. As noted by one commentator, the initiative "was spot on in terms of timing and political correctness. When you have rioters trashing Genoa in the name of kinder Third World treatment, no politician is going to say it is a bad idea." (Wood 2001)

In the aftermath of the Genoa summit, responses by policy makers and aid bureaucrats in the OECD countries were fairly positive towards the new forms of co-operation advocated through the African initiative. One of the concrete results of Genoa was the agreement by heads of government to appoint special advisors in each of their countries. These were tasked with drafting proposals to support the initiative, which were to be discussed by the G8 at its next summit on 26 and 27 June 2002 in Kananaskis, Canada. Put bluntly, the NePAD package was also accepted because, "the message communicated fits the neo-liberal discourse and avoids blaming particular policies or global trade structures for Africa's marginalisation but rather, if pushed, simply passes the blame on to the mystical notion that is known as 'globalisation'" (Taylor and Nel 2002:164).

Hence, the G8 summit at Kananaskis at the end of June 2002 confirmed the original commitment of the G8 states at their Genoa summit in 2001 by adopting a G8 Africa Action Plan: "At Kananaskis, it was specified that half or more of the new resources provided by G8 partners could go to African countries that govern justly, invest in their own people and promote economic freedom'"(G8 Summit 2003, article 9). However, many observers felt that the evidence of new support lagged behind the expectations created by the original, almost enthusiastic responses. The director of the Justice and Peace department of the South African Catholic Bishops' Conference voiced his frustration by describing G8 summits as "increasingly resembl[ing] hot-air ballooning." In his view, "The hot air brigade returned a scandalous plan for no action on Africa. They recycled state commitments without saying how and when they would act" (Gabriel 2002).

The South African president himself was distinctly less critical when he returned with a triumphant message just in time for the OAU/AU Summit in Durban, at which he not only took over the position of chairman on behalf of South Africa but also ensured the approval of NePAD as an integral AU policy:

> The Kananaskis Conference will go down in history as a defining moment in the process both of the evolution of Africa and the birth of a more equitable system of international relations. In historical terms, it signified the end of the epoch of colonialism and neo-colonialism … Without the partnership among the Africans, the partnership between Africa and the rest of the world would have been impossible. Thus, at Kananaskis, the peoples of Africa reaffirmed their commitment to take their destiny into their own hands, practically. (Mbeki 2002a)

Clearly, G8 interests and those of the NePAD architects went hand in hand: selling the collaboration as a success was intended to enhance the chances of taking on board others who were reluctant but ultimately prepared to give the benefit of the doubt. As a matter of fact, this tactic was successful to the extent that on 16 September 2002 the United Nations General Assembly adopted NePAD as the general framework within which the international community, including the United Nations system, would concentrate its efforts on Africa's development (A/RES/57/2). This prompted the South African president to conclude that NePAD, "has emerged as the de facto policy framework for Africa" (Mbeki 2002b). For others, one might add, the "pact among elites" as reflected in this blatantly biased view marked the beginning of a new epoch in the never-ending story of non-egalitarian relations, earlier and more obviously represented by colonialism.

NePAD and the AU

The Constitutive Act of the African Union was adopted on 11 July 2000 by the 36th Ordinary Session of the Assembly of Heads of State and Government in Lomé. It required ratification by two-thirds of the fifty-three OAU member states. Since the initial deliberations at the Lusaka Summit in July 2001, a total of fifty member states had ratified the document, thereby bringing the organisation to life. The AU's ambitious plans include the establishment of an African parliament, a court of justice and an economic, social and cultural council—all institutions that, if taken seriously, could contribute to a stronger continental authority at the expense of the principles of national sovereignty. It is still premature to offer any conclusions as to whether and to what extent a shift of paradigm might materialise. Given the track record of post-colonial policies on the continent, however, and the primacy of autonomy of national governments to exercise their rule, doubts remain about the existence of a general political consensus and will to implement such far-reaching possibilities for intervention in the internal affairs of member states (cf., Kössler and Melber 2003). In contrast, NePAD emphasises the necessity of collective responsibility if Africa is to meet the developmental challenges. It falls beyond the scope of this chapter to give close attention to the dimension, character, scope and likely effect of the African Peer Review Mechanism (APRM) as currently shaped (see Cilliers 2003). However, emerging tendencies suggest that it will not seek to confront the AU concept over the degree of (non-)intervention in other countries' affairs.

In article 4(g), the AU confirms its adherence to the principle of non-interference in the internal affairs of member states. On the other hand, article 4(h) contains a clause that reserves "the right of the Union to intervene in a Member State pursuant to a decision of the Assembly—in respect of grave circumstances, namely: war crimes, genocide and crimes against humanity." This is a far cry from the enhanced commitment to "good governance" originally postulated by NePAD. In the meantime, the first amendment to this Constitutive Act adds to article 4(h) the right to intervene to prevent a "serious threat to legitimate order." The shift of emphasis in the AU, re-emphasises the tendency to uphold state security rather than human security. This does not support the original approach by NePAD (cf., Baimu and Sturman, 2003). As concluded elsewhere, "the AU has a long way to go in turning the principle of intervention into workable practice" (Cilliers and Sturman 2002:37).

The subsequent lack of visible action (in particular by South Africa and Nigeria) to bring about a democratic solution in Zimbabwe illustrates the dilemma. While some analysts have explored to what extent NePAD is a "last chance for Africa" (Cornwell 2002), others are already predicting "the death of the NePAD" (Taylor 2002a, 2002b). The role of African leaders in tolerating—if not approving—the Zimbabwean government's abuse of power came as a major blow to expectations that NePAD would represent efforts "to penetrate the shield of sovereignty behind which too many corrupt leaders hid for too long" (Taylor and Nel 2002:164).

Trade as Aid?

Most African countries indeed require an urgent boost. "2002 has not been favourable to Africa," as the latest biennial report compiled jointly by the African Development Bank and the OECD Development Centre notes, though this situation is ascribed more to domestic issues than the international environment (African Development Bank/OECD 2003:50). Average growth during 2002 remained below 3 per cent for the first time since 1995, and is expected to be around 3.3 per cent in 2003 (ibid., 18). With regard to its external trade performance, the continent fares as dismally: Exports in developing countries generally expanded above 3.8 per cent in 2002, while Africa trailed behind with a rise in exports of just 0.1 per cent by volume. Between 1996 and 2002, the annual African export growth rate was about 4 per cent, while the continent declined on average by about 1.9 per cent in overall competitiveness (ibid., 24).

The US American African Growth and Opportunity Act (AGOA) adopted as Title I of the Trade and Development Act of 2000 (and with an addendum, AGOA II, signed in 2002), as well as the recent EU Everything but Arms Initiative (EBA) for Least Developed Countries (LDCs) are considered to offer "trade as aid" within the dominant development paradigm. NePAD, through its market access initiative, explicitly advocates such a line of thinking (and action), as it does in its direct identification of the need for negotiations with the World Trade Organisation (WTO) for "more equitable terms of trade for African countries within the WTO multilateral framework" (article 188). NePAD sees this as "an historic opportunity for the developed countries of the world to enter into a genuine partnership with Africa, based on mutual interest, shared commitments and binding agreements" (article 205). Some observers indeed share the view that "there is tremendous potential for economic gains from specialisation and trade within Africa, which might, in turn, open up new export possibilities to the world," provided that trade rules are harmonised and a much improved transportation infrastructure has been achieved (Loxley 2003:122). Critics of NePAD also agree that African goods are restricted in their competitiveness by unfair practices and regulations and excluded from other markets by means of high tariffs and quotas. The question is, however, how this challenge should be met and what strategies should be pursued to overcome (or at least reduce) the obstacles.

AGOA's results so far may yield illuminating and instructive provisional insights. As the executive summary and key findings of its annual report for 2002 suggest (see www.agoa.gov/), the United States is sub-Saharan Africa's largest single market, purchasing 27 per cent of the region's exports in 2000, while imports increased by 61.5 per cent during the last two years. Looked at differently, US exports to sub-Saharan African countries grew 17.5 per cent in 2001 to nearly US$7 billion and were higher in 2001 than to all the former Soviet Union and Eastern European countries combined. But a breakdown of the commodities reveals the flaws behind the statistics: The bulk of US trade value was composed of aircraft, oil and gas field equipment, and motor vehicles and parts. Sub-Saharan Africa in return supplies 18 per cent of US oil imports and this represents 90 per cent of the value of the total imports from the region. It is not unfair to believe that US trade policy looks upon the countries of sub-Saharan Africa mainly in terms of American interest in gaining better access to potential markets (cf., Veney 2003). If this approach resulted in mutual benefits and met the interests of all the partners, one could concede that it is a legitimate arrangement, but the bulk of African countries will not reap such a harvest. Almost inevitably, given AGOA's self-interested trade rationale, the main beneficiaries of AGOA (accounting for 92 per cent of AGOA duty-free benefits) were Nigeria (with US$5.7 billion of benefits), Gabon (US$938.7 million) and South Africa (US$923.2 million).

Following oil, textiles were the second biggest single African export to the US market under AGOA, contributing 60 per cent to the increase of US imports. But textiles represent less than 5 per cent of total exports from sub-Saharan Africa. Hence AGOA represents a rather biased and distorted trade pattern. Even worse, among those thirty-eight African countries that qualify under AGOA (from which "rogue states" such as Libya and the Sudan are, of course, excluded), many of those benefiting by the expansion of their textile industries are seen as an investment opportunity by mainly East Asian capital. In Madagascar, companies from Singapore, Hong Kong and China established factories to gain access to the US market under AGOA. Along similar lines, the textile industry in Lesotho, Malawi, Mauritius and Swaziland is largely dependent on foreign investors, who accumulate the profit through preferential local investment opportunities and a high degree of exploitation of cheap labour. The employment conditions are appalling and the benefits to the local economy are questionable. As a result of AGOA, the textile sector in Lesotho, largely owned by foreign companies operating under a six-year tax exemption provided by the state, is now, with 40,000 workers, the largest employer of labour. But this comes at a price:

> The Lesotho Clothing and Allied Workers Union claims that the success of the industry is also attributable to the gross exploitation of labour, as companies ignore local laws protecting workers, which they can do with impunity since top government officials are shareholders in the foreign companies. Poor working conditions, unduly long working hours, low wages and anti-union activities are said to characterise the industry. (Loxley 2003:126)

Under such circumstances, AGOA fuels a local African economy less than it contributes to the increase in profits of international companies taking advantage of this kind of liberalisation. AGOA ultimately boils down to another pact in which local African elites and foreign capital gain at the expense of local workers.

What Future for Africa?

The United Nations secretary general used the opportunity of being invited to the informal part of the G8 summit in French Evian on 1 June 2003—during which the G8 states met, on the initiative of host President Chirac, with a number of heads of state from developing countries (including the NePAD architects from Algeria, Nigeria, Senegal and South Africa)—to summarise his concerns about currently unresolved problems in a "Letter to the Heads Of State and Government of the 'Group Of Eight.'"[1] He reminded the club that eighteen months earlier, at the WTO round of negotiations in Doha, "your representatives agreed on a new round of trade negotiations, in which, for the first time, the needs and interests of developing countries would be treated as a priority."

Particularly identified as areas requiring urgent attention were the distortion in the trade in agricultural products by massive subsidies and a variety of (tariff and non-tariff) barriers, as well as the measures to protect pharmaceutical manufacturing capacity—both in the interests of the stakeholders in the industrialised world. "Since then," Kofi Annan observed, "key negotiating deadlines have been missed." The secretary general highlighted several embarrassing features and dis-

1. United Nations (New York), Document of 29 May 2003 (quoted from http://allafrica.com).

crepancies related to the control of the global economy and its structural inequalities. With reference to World Bank figures, he pointed out that OECD members in 2001 alone expended US$311 billion on agricultural subsidies. These, combined with other forms of protectionism in the industrialised countries, cost farmers and the agro-industry in developing countries upwards of US$30 billion a year.

In light of these sobering experiences to date, it is surprising to see the positive assessment of the Evian summit offered by President Thabo Mbeki after his return to South Africa. In his weekly "Letter from the President," circulated electronically by the ANC, he approvingly quoted President Chirac's opinion that "our discussions … demonstrated our common will to contribute to the development of Africa" (Mbeki 2003). He finally suggested,

> As a continent, we must acknowledge with appreciation the sustained commitment of the G8 to honour the commitments they have made to work with us as our partners for development … We need to respond to this engagement by ensuring we, the Africans, take advantage of the favourable conditions that have emerged. (ibid.)

Confronted with this degree of wishful thinking, one wonders what the prospects for the NePAD initiative really are and what the agenda of its major advocates is that is guiding policy priorities. It remains to be seen if NePAD will ultimately achieve an acceptable degree of improvement in the grossly unequal power relations and resulting structural constraints. Clearly, NePAD will not be able to replace demands for a fair share of the world's resources by those who have been the victims of domination and exploitation for far too long. At best, it might be able to slightly increase African stakeholders' far too tiny share of the global cake. Instead of a meaningful radical alternative, NePAD seems to be more like "more of the same." More of the same what? Capitalism, stupid!

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