The IMF/World Bank "Poverty Reduction Strategy" Approach and Africa's Industrialization

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1. Introduction

In September 1999 the International Monetary Fund and World Bank announced that quick-disbursing balance of payments aid to governments of low-income countries, along the lines of the Fund's Enhanced Structural Adjustment Facility and the Bank's Structural Adjustment Credits, would henceforth be provided in support of a "poverty reduction strategy" (PRS). Country authorities would be required to prepare Poverty Reduction Strategy Papers (PRSPs) in consultation with representatives of civil society.

This paper's point of departure is the principle that no low-income country has succeeded in reducing poverty to tolerable levels without undergoing a process of industrialization involving a number of years during which manufacturing value added and manufactured exports grew significantly faster than per capita GDP. We review the PRSP guidelines issued jointly by the Fund and Bank, and the PRSP literature generated thus far by 26 countries in Sub-Saharan Africa (SSA), to assess the role assigned to industrialization. We find that recognition of the need to implement policies that will facilitate industrialization risks being swamped by a diffuse set of goals and measures identified with poverty reduction.

Sections 2-5 trace the evolution of the PRSP process, ending with the criticisms from advocates of a "social" approach to development, in response to which the Fund and Bank switched from structural adjustment to PRS. Focusing on guidelines enunciated in a Fund-Bank PRS "Sourcebook", Sections 6 and 7 examine the role accorded to economic growth and industrialization, respectively, in reducing poverty.

Following Section 8's summary of manufacturing's poor performance thus far in SSA,

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Section 9 describes its record in Mauritius, the one African country that has successfully industrialized, significantly reducing poverty in the process. Section 10 tests the relative correlation of growth of (i) agricultural and (ii) manufacturing value added with growth of per capita GDP during two periods in SSA, finding manufacturing growth significantly correlated as against zero correlation for agricultural growth.

The following section notes briefly a passage in the "Sourcebook" that appears virtually as an aside, acknowledging that a "vibrant manufacturing sector" may offer the best chance for long-run improvement in living standards. In Section 12 we summarize references to industrial, especially manufacturing, development in the PRS literature thus far emanating from 26 African countries and their Fund-Bank assessment teams. Section 13 concludes.

2. Background

In the early 1980s the International Monetary Fund (IMF) and World Bank decided that Africa's economic stagnation called for a new approach to public lending, one that would supplement the Bank's project lending with quick-disbursing loans whose disbursement would be subject to macroeconomic policy conditions. These conditions, or "conditionalities," to use parlance long since current at the Fund, were grouped under the heading of "structural adjustment programs" (SAPs).

The conditions were incorporated into agreements underlying longstanding IMF instruments, chief among them being "stand-by arrangements" (SBAs). In addition, starting in 1986 the Fund introduced "structural adjustment facilities" (SAFs) funded by sales from its holdings of gold, followed the next year by Enhanced Structural Adjustment Facilities (ESAFs). Meanwhile, for its part, the Bank introduced Structural Adjustment Loans (SALs) and, for countries with per capita GDP below certain thresholds, Structural Adjustment Credits (SACs) channeled through the Bank's soft-loan window, the International Development Association (IDA). These were supplemented by sectoral adjustment loans and credits, applying policy conditions specific to a given sector such as agriculture, industry or finance.

Use of these financial instruments was not confined to Africa — the Fund and Bank engaged low-income member countries in Asia and Latin America in SAPs, and starting in the early 1990s, similar programs were drawn up for low-income countries formerly belonging to the Soviet bloc. However, with its preponderance of countries below IDA's thresholds, Africa (and specifically SubSaharan Africa) contained the majority of target countries, and it is to SSA that this paper is confined.[1]

3. SAP Conditionalities

Most conditionalities attached to SSA structural adjustment programs had some bearing on one or another of eight policy improvements that a recent paper by Stanley Fischer, Ernesto Hernández-Catá and Mohsin Khan of the IMF[2] (hereinafter FHK) described as essential for accelerating Africa's growth by raising the rate of private investment and productivity growth. These are: (1) maintaining a stable macroeconomic environment, i.e. conducting fiscal and monetary policy so as to keep inflation in the single digits; (2) improving governance "to avoid capricious interference with private activity and to develop and maintain a transparent and stable legal and regulatory environment"; (3) trade liberalization, particularly removal of quantitative restrictions on imports; (4) privatization of state-owned enterprises (SOEs); (5) civil service reform, notably reduction of bloated payrolls and payment of wages corresponding to employees' opportunity cost; (6) banking reform; (7) liberalization of the agricultural sector; and (8) improving labor market flexibility and competitiveness.

Another term frequently used for the SA approach summarized by FHK is the "Washington consensus."

4. Rising Criticism of the IMF/World Bank Approach

Within a few years of the first SAPs, proponents of the "social dimension" of development were complaining that the SA approach put too much emphasis on accelerating GDP growth, and neglected considerations of income distribution. According to this view, even where SAPs were achieving their growth objectives, some component measures were exerting a negative impact on the incomes and welfare of significant population groups, including the poorest segments of society.

Examples of policies that were cited as resulting in loss of jobs, at least initially, before job-creating effects could kick in:

- liberalization of trade, stimulating imports that undercut previously sheltered domestic producers, obliging them to close or downsize;
- closure of loss-making SOEs, or their privatization, with new management trimming

bloated payrolls;
- financial reform, bringing closure or privatization of state-owned banks and termination of new lending to bankrupt enterprises; and
- release of redundant civil servants.

Additionally, SAP-induced pressure on governments to trim fiscal deficits was blamed for curbing, or at least preventing expansion of, social services, notably education and health, that represented the primary path to better, more productive lives for low-income citizens.

SA proponents responded that openness to the world economy, and the resulting stimulus to growth, was a *sine qua non* for raising SSA productivity, expanding effective demand, and employing rapidly growing populations at rising income levels. On the fiscal issue, they noted the ravages imposed on social services by inflation and poor governance, and put the onus on governments to improve tax collection and reallocate resources from waste and corruption.

Moreover, in March 2000 the IMF released data showing that SSA countries with IMF programs (mainly SAFs and ESAFs) had increased real per capita spending on education by an average of 1.4% per annum following the programs, and on health by almost 5% per annum.[3]

5. Enter the New "Poverty Reduction Strategy" Approach

Whatever the merits of the case, which it is not the object of this paper to debate, the evolving politics of international development assistance led the Fund and Bank in 1999, with the agreement of their dominant member governments, to recast SA as "poverty reduction". According to a statement on its web-site, attributed to "IMF Staff", in September of that year the Fund "embraced a new anti-poverty focus for its work in low-income countries."[4] The ESAF was replaced with a Poverty Reduction and Growth Facility (PRGF), while the Bank replaced its SACs with Poverty Reduction Support Credits (PRSCs). Governments were required to prepare poverty reduction strategy papers (PRSPs) in close consultation with domestic stakeholders.

Explaining "How the PRGF differs from the ESAF," the IMF cites as the PRGF's core aim "to arrive at policies that are more clearly focused on economic growth and poverty reduction and, as a result of better national ownership, more consistently implemented."[5]

Five principal differences are listed (italics in the original):

- The *objective* — poverty reduction is now "a central goal, whereas under the ESAF poverty reduction was an implicit by-product."
- The *relationship with the country's strategy* — PRGF-supported measures have to derive from the strategy described in a country's PRSP, making "the macroeconomic and poverty-reduction elements of the economic program better integrated than in the past.".
- The *way programs are formulated* — ESAFs were based on Policy Framework Papers "prepared jointly by country officials and IMF and World Bank staff," whereas PRSPs "are country-led and incorporate contributions to policy design from across society." PRGF-related documents are also published more extensively, making the process more transparent.
- The *nature of conditionality* — arising from the new "emphasis on country leadership and enhanced collaboration with the Bank,...IMF conditionality is less extensive and more focused on the Fund's core areas of responsibility..."
- The *link with the World Bank* — "the two institutions can tailor assistance to fit their respective areas of responsibility in supporting the PRSP strategy," bringing about "both more collaboration and a clearer division of labor."

6. The PRS Approach and Growth

Interestingly, this exposition by the Fund ignores the obvious difference between the titles given to (1) its new facility, and (2) the strategy paper required of participating governments: namely, (1) contains the word "growth" and (2) does not. The title given to the Bank's new facility likewise omits "growth."

A sheer matter of wording does not mean that either the Fund or the Bank has abandoned its longstanding recognition that no country has ever succeeded in reducing poverty, defined rigorously as lowering the percentage of the population below a poverty threshold of per capita consumption, without achieving a growth rate of GDP significantly higher than the growth rate of population, and, for at least a decade, growth rates of industrial output and exports significantly higher than growth of GDP. Indeed the Fund statement quoted above refers to policies "more clearly focused on economic growth..." Distinguishing the "macroeconomic and poverty-reduction elements of the economic program" makes it clear that macroeconomic policy, with its obvious implications for growth, remains a central Fund concern.

Bank and Fund staff have collaborated in drafting a two-volume *Poverty Reduction Strategy Sourcebook,* all of which (excepting one chapter) is available at the Bank's website, with a single chapter, "Macro and Structural Issues," being also available at the Fund's website. The missing chapter (as this paper is completed in April 2002) is the one entitled "Pro-Poor Growth." This is unfortunate from the viewpoint of the present paper, with its stress on the macroeconomic growth dimension of poverty reduction.

The *Sourcebook*'s introduction describes it as a "guide" to country preparation of PRSPs, as opposed to being "prescriptive".[6] An "Overview" chapter identifies four "key areas of content" for PRSPs, namely:[7]

1. "Macro and structural policies to support sustainable growth in which the poor participate;
2. How to improve governance - including public sector financial management;
3. Appropriate sectoral policies and programs; and
4. Realistic costing and appropriate levels of funding for the major programs."

Note the reference to "sustainable growth" in point (1). The same chapter goes on to state, in a section entitled "Economic Opportunities: Growth and Rising Incomes of the Poor":

> Numerous statistical studies confirm that rapid economic growth is the engine of poverty reduction, using both income and non-income measures of poverty. Domestic policies have an important impact on sustained growth, among them prudent macroeconomic management, more open markets, and a stable and predictable environment for private sector activity. Macroeconomic stability provides an important precondition for higher growth rates, and also helps prevent balance of payment crises and the resurgence of inflation-both of which have negative consequences for poverty...
>
> The macroeconomic framework should promote: (i) a level of inflation that does not undermine private sector growth; (ii) an external position that is sustainable in the medium- to long-run; (iii) growth that is consistent with the poverty reduction objectives laid out in the PRSP; and (iv) an overall fiscal stance that is compatible with the PRSP's poverty reduction and growth objectives. This means that growth projections should be realistic, given past experience and taking into account likely sources of growth...
>
> A PRSP is expected to address policy constraints (e.g. exchange rate controls) which lead to significant distortions in the economy and reduce the rate of growth. What is a relevant constraint will obviously vary by country, and will be informed by the poverty diagnostics. The types of key structural constraints to growth that would need to be addressed include trade barriers; large loss-making state enterprises and

> inefficient regulatory and marketing controls. Enhancing economic opportunities for the poor will generally require removing barriers that limit the growth and economic returns of assets...

Most readers will find this passage a familiar litany of prescriptions for supposedly outmoded structural adjustment (closely resembling FHK's earlier list). Indeed, in regional consultations held around the world during 2001 to popularize the PRSP approach and enrich it with feedback from governments and stakeholders, the Fund and Bank encountered criticism precisely on that account. An agenda paper prepared by Fund-Bank staff for an "International Conference on Poverty Reduction Strategies" held in Washington in January 2002 notes: "Some domestic and international NGOs argue that PRSPs incorporate structural adjustment policies that, in their judgment, have consistently failed. In their view, this reflects the pressures on governments to conform to the policy expectations of the Bank and Fund and other donors."[8]

More detailed exposition of the nexus between growth and poverty reduction is found in the *Sourcebook*'s Volume 2, "Macro and Sectoral Issues," containing four sections entitled 1. Macro and Structural Issues, 2. Rural and Urban Poverty, 3. Human Development, and 4. Private Sector and Infrastructure.[9] Section 1, with three chapters on "Macroeconomic Issues," "Pro-Poor Growth" (as indicated above, not yet posted on the Bank's website), and "Trade" is of greatest relevance here.

In a section entitled "Growth Matters", Chapter 1 underscores the argument summarized in the Overview:[10]

> Economic growth is the *single most important factor influencing poverty.* Numerous statistical studies have found a strong association between national per capita income and national poverty indicators, using both income and nonincome measures of poverty...These studies, however, establish association, but not causation. In such cases, poverty reduction could in fact be necessary to implement stable macroeconomic policies or to achieve higher growth.
>
> Studies show that capital accumulation by the private sector drives growth. Therefore, a key objective of a country's poverty reduction strategy should be to establish conditions that facilitate private sector investment... (A) country's poverty reduction policy agenda should, in most cases, extend across a variety of policy areas including privatization, trade liberalization, banking and financial sector reforms, labor markets, the regulatory environment, and the judicial system. The agenda will certainly include increased and more efficient public investment in a country's health, education, and other priority social service sectors.

Again, not very different from the policy prescriptions (sound ones, in the author's view) formerly grouped under "structural adjustment."

If some participants in the 2001 consultations, especially from NGOs, criticized the apparent carry-over from SA policy reforms, this was not a unanimous view. The January 2002 agenda paper notes, "In terms of policy challenges, strong growth was recognized as key to poverty reduction. Countries, especially in Latin America, stressed that more attention needs to be spent on finding ways to encourage private investment and private sector growth, other than removing barriers and restrictions, and privatizations. These and other commentators stressed the importance of further opening developed country markets to poor-country exports."[11]

Submitting questionnaires to client governments under a review of existing PRGF programs, Fund staff asked for their agreement or disagreement with, *inter alia*, the following statements:

i. "PRGF-supported program places sufficient emphasis on growth as a means to alleviate poverty;" and

ii. "PRGF-supported program places more emphasis on growth as a means to alleviate poverty compared to Fund programs in the past."

Question (i) drew "strong agreement" from 17.6% of respondents and milder agreement from 64.7%, with 17.6% taking a "neutral" stand. Conversely, question (ii) drew strong agreement from almost half (47.1%), mild agreement from 35.3%, a neutral reaction from 11.8% and mild disagreement from 5.9%.[12] The bottom line: PRGF programs place increased emphasis on growth, but still not enough. To be sure, respondents would have been based in their countries' finance ministries and/or central banks, most of which ideologically place more emphasis on growth than on targeted poverty-reduction efforts.

Concluding its own PRGF review in March 2002, the IMF Executive Board said, "growth is critical for achieving poverty reduction, and attention to the sources of growth is essential in developing appropriate policies and projections." It called for "increased focus on the sources of growth in PRGF-supported programs," along with "structural reforms to develop the private sector, increase foreign direct investment, enhance external competitiveness, and increase labor productivity".[13]

To this observer, such language suggests concern of industrial country governments (perhaps shared by the Fund's top management) that the PRSP approach as exemplified in participating country documents may be turning out to be too diffuse, featuring "wish lists" (a term appearing several times in submissions to the 2001-02 Comprehensive Review) of expenditure programs that could conceivably benefit the poor.

7. IMF-World Bank on the Role of Industrialization in Poverty Reduction

Turning its attention to the "*sectoral composition* of growth" (italics in the original), the IMF-Bank *Sourcebook*'s Macro chapter expresses a viewpoint suggesting why the whole *opus* gives short shrift to industrialization:[14]

> Conventional wisdom has been that growth in sectors of the economy where the poor are concentrated will have a greater impact on reducing poverty than growth in other sectors — indeed, this is almost a tautology. For example, it is often argued that in countries where most of the poor live in rural areas, agricultural growth reduces poverty because it generates income for poor farmers and increases the demand for goods and services that can easily be produced by the poor... *Various country-specific and cross-country studies have shown that growth in the agricultural and tertiary sectors has had a major effect on reducing poverty, while growth in manufacturing has not.*[15] This reinforces the case for duty-free access to industrial country markets for agricultural exports from low-income countries.

The assertion that growth in manufacturing has not had a major effect in reducing poverty will come as news to newly industrializing countries (NICs) in Asia, Latin America, and Africa.

The *Sourcebook* is consistent in minimizing mention of industrialization as a path to growth and thence poverty reduction. The Macro chapter mentions "manufacturing" only twice, in the passage quoted above and a later sentence in the same paragraph, quoted below.[16] The word "industrial" receives one mention *vis-à-vis* developing countries: "The industrial policies pursued by many African developing countries in the 1960s have long been discredited (World Bank, 1981)."[17] This refers to a policy of import substitution by inefficient, largely state-owned factories, the impetus for whose establishment often came from bribery by equipment suppliers and contractors in industrial countries.

The "Trade Policy" chapter goes further in implying that development of manufacturing, nurtured by the trade liberalization policies advocated in the chapter, is a path to poverty reduction. It cites several country cases where manufacturing employment expanded following liberalization. The chapter says that much of its analysis "focuses implicitly on reforms in (the manufacturing) sector,"[18] designed to combat poverty by expanding the sector's absorption of labor. Liberalization is said to result in "expansion of exports...throughout the economy, often with new and sometimes unexpected industries arising."[19]

Finally, the "Urban Poverty" chapter contains three references to manufacturing and/or industry. It depicts "efficient urban development" as "providing a marketplace where diversified industry and services can thrive as the engine of national income growth." It mentions cottage industry as "an important income-generating activity among the poor." Cambodia's Interim PRSP is cited as giving priority to "Labor-intensive manufacturing such as garment production...to increase urban employment and also to attract labor from rural areas to increase rural productivity as well.[20]

While as shown in the preceding section the latest Fund-Bank reviews of the PRSP process (and the Fund's review of its PRGF) strengthen the role accorded growth in reducing poverty, industrialization is not mentioned as an essential ingredient of growth. Four documents cited there－the joint staff PRSP review, the Fund staff PRGF review, and the Fund Executive Board reviews of the PRSP approach and the PRGF－make no mention of industry or manufacturing.

8. Status of SSA Manufacturing Industry

This paper's central issue is the role accorded to growth of SSA manufacturing industry in the PRS process. Our point of departure in this section is the previously stated rule that no country has reduced poverty without achieving growth rates of manufacturing well in excess of GDP.

For 38 SSA countries, the published version of the Bank's flagship statistical digest, *World Development Indicators － 2001* (hereinafter *WDI － 2001*), gives manufacturing value added (MVA) as a percentage of GDP in 1990 and 1999.[21] Constant price series for MVA in *WDI － 2001*'s on-line version enable us to compute average annual real growth of MVA from various years up to 1999. Data for 1980-99 are available for 26 countries, for 1985-99 for 35 countries.[22]

Table 1 combines the MVA share and MVA growth series. (Per capita GDP growth series are also given for later reference.) The table shows the median share of MVA in GDP in 38 countries *decreasing* during the recent nine-year period, from 10.0 to 9.3%, and the unweighted mean dropping from 11.7 to 10.7%. Twenty-five countries saw the share of MVA decline, in eleven the share rose, while two (Botswana and Niger) saw no significant change.

Comparing shares of MVA in SSA with those in developing countries of Asia, *WDI －*

Table 1 - MANUFACTURING VALUE ADDED AND G.D.P., SUB-SAHARAN AFRICA, 1980-99

	Mfg. value added as % of GDP		AVERAGE ANNUAL REAL GROWTH: Manufacturing value added			Per capita GDP	
	1990	1999	1980-99	1985-99		1980-99	1985-99
Angola	5.0	3.2		-5.1%		-1.5%	-1.6%
Benin	7.8	8.3	3.8%	5.3%		0.6%	0.3%
Botswana	4.9	5	4.4%	7.8%		4.5%	3.8%
Burkina Faso	15.8	21.7	1.9%	3.7%		1.3%	1.3%
Burundi	12.9	8.7	0.2%	-1.7%		-1.1%	-2.3%
Cameroon	14.5	10	2.5%	0.4%		-0.6%	-2.9%
Cape Verde	8.2	9					2.5%
Central Afr. Rep.	11.3	9.3	1.8%	-0.2%		-1.0%	-1.2%
Chad	14.4	11.8				1.2%	-0.5%
Comoros	4.2	5.4	1.5%	1.6%		-1.1%	-2.0%
Congo, Rep.			2.2%	-0.2%		-0.5%	-3.1%
Cote d'Ivoire	8.4	6.6	2.1%	3.1%		-1.5%	-0.8%
Equatorial Guinea	20.9	21					8.8%
Ethiopia	7.8	7		2.6%			1.5%
Gabon	5.6	5.2	*1.1%*	*-1.8%*	[to 1997]	*-0.4%*	*-0.3%*
Gambia	6.6	5.6	2.8%	2.1%		-0.2%	-0.2%
Ghana	9.8	9	-0.8%	-0.1%		0.2%	1.6%
Guinea	4.6	4.2		*4.2%*	[1988-99]		*1.4%*
Guinea-Bissau	8.4	9.7		*7.4%*	[1986-99]	0.5%	*-0.7%*
Kenya	11.8	10.7	2.3%	3.5%		0.0%	0.4%
Lesotho						1.8%	2.3%
Madagascar				*1.1%*	[to 1997]	*-2.2%*	*-1.3%*
Malawi	19.5	13.7	0.9%	0.8%		-0.1%	0.2%
Mali	8.6	4.1	2.8%	3.7%		-0.4%	0.2%
Mauritania	10.3	10		-0.1%		0.0%	0.6%
Mauritius	23.6	24.9	5.0%	7.6%		4.4%	4.7%
Mozambique	10.2	10.6				0.9%	3.9%
Namibia	12.6	11.4	2.1%	2.9%		0.0%	1.1%
Niger	6.6	6.5		0.6%		-2.3%	-1.0%
Nigeria			1.4%	3.0%		-1.2%	0.6%
Rwanda	18.7	11.7	2.0%	3.6%		-1.6%	-2.0%
S.Tome & Principe	4.9	4.5					
Senegal	13.1	16.9	2.8%	4.0%		0.4%	0.4%
Seychelles	10.1	12.2	4.1%	8.8%		1.9%	2.5%
Sierra Leone	3.7	4.3				-3.8%	-4.4%
South Africa	23.6	18.8	0.5%	0.8%		-0.8%	-0.5%
Swaziland	35.9	31.7	5.3%	12.3%		1.7%	2.4%
Tanzania	9.3	7.4		*2.4%*	[1990-99]		*0.0%*
Togo	9.9	9.3	1.6%	4.1%		-1.7%	-1.1%
Uganda	5.7	8.7		10.7%			3.1%
Zambia	14.1	12.2	1.9%	3.2%		-2.1%	-2.0%
Zimbabwe	22.8	17.4	1.4%	2.1%		0.7%	0.6%
COUNT	38	38	26	35		35	41
MEDIAN	10.0	9.3	2.0%	2.9%		-0.2%	0.2%
Unweighted MEAN	11.7	10.7	2.2%	3.0%		-0.1%	0.4%

Source: World Bank *World Development Indicators - 2001*. Manufacturing value added/GDP as given in printed version, average annual growth rates calculated from dollar values (at 1995 prices) of MVA and per capita GDP according to on-line version.

2001 shows the share in low- & middle-income East Asia & Pacific rising from 29 to 33% during the 1990s, while the share in South Asia dropped one point, from 17 to 16%.[23]

Over the longer (two-decade) period, median annual growth of MVA was 2.0%, the unweighted mean was 2.2%. Since *WDI — 2001* shows SSA's population rising by 2.8% per annum during 1981-2000, this means that median and mean MVA rose more slowly than population. The same source shows an average SSA GDP growth rate of 1.93% during the two decades;[24] thus, median and unweighted mean MVA growth rates were barely above the GDP growth rate.

These data appear to confirm the well-known fact that Africa as a whole recorded very little progress towards industrialization in the 1990s, indeed it appears to have regressed.

The main *caveat* to be observed in evaluating the figures is our lack of aggregate data on how far the slow growth of manufacturing can be attributed to (1) closure or downsizing of manufacturing enterprises, especially parastatals, that were contributing little or even negative value added at border (i.e. world market) prices, and (2) with producers that survived trade liberalization, deflation of turnover resulting from enhanced foreign competition.

9. Manufacturing in SSA: The Case of Mauritius

It is worth dwelling for a moment on the experience of the one African country that has carried industrialization furthest, Mauritius. In 1970 that country's MVA/GDP ratio was 14.3%; in 1979-80 it still hovered around 15%. The economy was heavily dependent on sugar, which in the late 1950s had accounted for 98% of exports.[25]

The period 1981-87 saw a spurt of industrial development via export processing zones (EPZs), carrying the MVA/GDP ratio to 24.5% in 1987, where it remains to the present day. In 2000 manufactures comprised 61.5% of Mauritius' exports, sugar having dropped to 14.8%.[26]

As shown in Table 1, during the 14 years 1986-99, Mauritius recorded average annual MVA growth of 7.6%. This puts the country in fifth place in Table 1, which does not suggest extraordinary performance until one compares the other countries' 1985 base. In Mauritius manufacturing already accounted for 20.6% of GDP; in Botswana, Seychelles, and Uganda, MVA's share was 5.6%, 9.6%, and 5.8%, respectively, indicating far smaller bases from which rapid growth is readily attainable. (Only Swaziland, with 12.3% MVA growth from a 1985 base of 16.2% of GDP, appears to have performed comparably. This is attributed to South Africa's demand for its agro-processing output.)

Due to a sugar price boom, Mauritius' agricultural value added (AgVA) peaked at 30% of GDP in 1974, close to the then SSA median (also mean) of 35% for 35 countries for which *WDI — 2001* gives data. A generation later, in 2000, agriculture represented only 6% of Mauritius' GDP.

A decline in agriculture's sectoral share does not, of course, equate to an absolute drop in value added. In most industrial countries agricultural output has grown even while losing share, meaning simply that it has risen more slowly than overall GDP. However Mauritius' AgVA, measured in constant (1995) dollar equivalents, was lower in 2000 ($322 million) than in 1973-74 (around $430 million) or in 1970, preceding the sugar boom ($344 million).

Yet, harking back to the World Bank's *Sourcebook*, a declining agricultural sector has not undercut Mauritius' effort to reduce poverty. In 2000 per capita gross national income (GNI) in current dollar equivalents was $3,800, 19.5% above oil-rich Gabon and 26% above South Africa. In all of Africa only the Seychelles was richer, at $7,310 per capita.

Mauritius started the decade of the '70s with per capita GNI equal to 1.75 times the median and 1.3 times the unweighted mean for 30 SSA countries with both 1970 and 2000 data in *WDI — 2001*. By 2000 its per capita income had reached 11.2 times the median and 3.9 times the mean.

Unfortunately World Bank series on poverty and income distribution have empty cells for Mauritius, i.e. there is no mention of a poverty line or the proportion of the population below it, nor of a Gini coefficient measuring income inequality. However a number of social indicators suggest that poverty has diminished with rapid growth. The latest World Bank data show the following:

- Mauritians' life expectancy at birth is 71 years, compared with 47 years for SSA region-wide;
- infant mortality is 19 per 1,000, compared with Africa's 92;
- 100% of the population has access to an improved water source, as against 55% for SSA;
- illiteracy is 15%, compared with SSA's 38%;
- primary school enrollment is 98% net and 106% gross for both males and females;

- population growth has slowed to 1.0% p.a. from 1.7% in 1970.[27]

10. Correlating Growth of MVA and AgVA with Per Capita GDP in Africa

Mauritius' experience, and the juxtaposition of series in Table 1, suggest an effort to compare the performance of growth of value added in (1) manufacturing and (2) agriculture in "explaining" per capita GDP growth in SSA.

We took constant-price (1995 dollar equivalents) AgVA from *WDI — 2001* and calculated average annual real growth for the same countries for which MVA growth is shown for the two periods 1980-99 (26 countries) and 1985-99 (35 countries) in Table 1. Average annual per capita GDP growth during the same periods was then regressed on the growth rates of MVA and AgVA, respectively. Table 2 reproduces the series used in the regressions and, at the bottom of the table, compares the outcomes.

The superior performance of manufacturing value added in "explaining" per capita GDP growth is striking. In both periods MVA has an adjusted R Square of 0.41, whereas agriculture's correlation coefficient is zero in the first period and actually negative (though still insignificant) in the 1985-99 period. MVA's regression coefficients, 0.77 and 0.34, are significant in both periods, with t-statistics of 4.34 and 5.00 respectively, while AgVA has a negative regression coefficient in the first period and a very small positive one (0.055) in the second.

One must not read too much into results based on volatile data subject to substantial errors of measurement. But at the very least it can be said that available SSA macro data do not support the *Sourcebook*'s contention that growth of agriculture has been much more effective than manufacturing growth in reducing poverty.

11. The Short Versus Long Term in the PRS Approach

After dismissing manufacturing growth as a path out of poverty (see section 7 above), the *Sourcebook* immediately qualifies this by saying:[28]

> The links may be more complex over the long run, however. While faster growth in agriculture may address rural poverty in the short-term, reliance on agricultural activity may also intensify output variability, which, in turn, would contribute to increasing rather than decreasing poverty. *A more diversified economy with a vibrant manufacturing sector might offer the best chances for a sustainable improvement in living standards in the long-run.*

Table 2 – REGRESSING S.S.A. PER CAPITA G.D.P. GROWTH ON GROWTH OF MANUFACTURING & AGRICULTURAL VALUE ADDED

	1980-1999		
	Value added		Per capita GDP
26 countries	Manufac-turing	Manufac-turing	
Benin	3.8%	4.7%	0.6%
Botswana	4.4%	1.7%	4.5%
Burkina Faso	1.9%	3.4%	1.3%
Burundi	0.2%	1.1%	-1.1%
Cameroon	2.5%	3.5%	-0.6%
Cen. Afr. Rep.	1.8%	2.3%	-1.0%
Comoros	1.5%	1.8%	-1.1%
"Congo, Rep."	2.2%	2.3%	-0.5%
Cote d'Ivoire	2.1%	1.7%	-1.5%
Gabon	1.1%	-0.2%	-0.4%
Gambia	2.8%	1.4%	-0.2%
Ghana	-0.8%	1.8%	0.2%
Kenya	2.3%	2.4%	0.0%
Malawi	0.9%	3.8%	-0.1%
Mali	2.8%	2.4%	-0.4%
Mauritius	5.0%	0.6%	4.4%
Namibia	2.1%	3.6%	0.0%
Nigeria	1.4%	2.3%	-1.2%
Rwanda	2.0%	-0.7%	-1.6%
Senegal	2.8%	1.9%	0.4%
Seychelles	4.1%	-1.2%	1.9%
South Africa	0.5%	0.9%	-0.8%
Swaziland	5.3%	0.9%	1.7%
Togo	1.6%	4.2%	-1.7%
Zambia	1.9%	4.4%	-2.1%
Zimbabwe	1.4%	3.7%	0.7%

	1985-1999		
	Value added		Per capita GDP
35 countries	Manufac-turing	Agricul-ture	
Angola	-5.1%	-2.5%	-1.6%
Benin	5.3%	4.9%	0.3%
Botswana	7.8%	4.4%	3.8%
Burkina Faso	3.7%	3.5%	1.3%
Burundi	-1.7%	0.1%	-2.3%
Cameroon	0.4%	2.9%	-2.9%
Cen. Afr. Rep.	-0.2%	2.5%	-1.2%
Comoros	1.6%	1.0%	-2.0%
"Congo, Rep."	-0.2%	2.3%	-3.1%
Cote d'Ivoire	3.1%	4.0%	-0.8%
Ethiopia	2.6%	3.8%	1.5%
Gabon	-1.8%	-1.0%	-0.3%
Gambia	2.1%	1.3%	-0.2%
Ghana	-0.1%	2.8%	1.6%
Guinea	4.2%	4.4%	1.4%
Guinea-Bissau	7.4%	3.1%	-0.7%
Kenya	3.5%	2.1%	0.4%
Madagascar	1.1%	2.0%	-1.3%
Malawi	0.8%	4.6%	0.2%
Mali	3.7%	5.2%	0.2%
Mauritania	-0.1%	4.3%	0.6%
Mauritius	7.6%	-1.6%	4.7%
Namibia	2.9%	4.5%	1.1%
Niger	0.6%	3.6%	-1.0%
Nigeria	3.0%	3.6%	0.6%
Rwanda	3.6%	-1.3%	-2.0%
Senegal	4.0%	1.9%	0.4%
Seychelles	8.8%	-0.9%	2.5%
South Africa	0.8%	1.2%	-0.5%
Swaziland	12.3%	0.9%	2.4%
Tanzania	2.4%	3.2%	0.0%
Togo	4.1%	3.8%	-1.1%
Uganda	10.7%	3.9%	3.1%
Zambia	3.2%	5.1%	-2.0%
Zimbabwe	2.1%	2.7%	0.6%

Regression statistics

	Per capita GDP growth on growth of:	
1980-1999	Manufact. VA	Agricult. VA
Adjusted R Square	0.417	0.0007
Standard Error	0.013	0.016
F	18.87	1.17
Significance F	0.00022	0.289
Regression Coefficient	0.770	-0.231
t Statistic	4.34	-1.08

	Per capita GDP growth on growth of:	
1985-1999	Manufact. VA	Agricult. VA
	0.413	-0.026
	0.014	0.019
	24.96	0.13
	0.00002	0.724
	0.337	0.055
	5.00	0.355

This raises the question: who decided that the thrust of the PRS approach should be to address poverty in the short rather than the long run? In our view, lurching from one short-run approach to the next in response to political pressure from self-styled advocates for the Poor Majority poses the risk of overlooking the most significant obstacles to structural transformation, i.e. industrialization, and thus poverty reduction.

The next section looks at the PRS literature emanating thus far from SSA client countries and the Fund-Bank Joint Staff Assessments of this literature.

12. References in Country PRS Documents and Joint Staff Assessments

The IMF's website differentiates among country PRS documents as follows:[29]

> Updated every three years with annual progress reports, PRSPs describe the country's macroeconomic, structural and social policies and programs over a three year or longer horizon to promote broad-based growth and reduce poverty, as well as associated external financing needs and major sources of financing. Interim PRSPs (I-PRSPs) summarize the current knowledge and analysis of a country's poverty situation, describe the existing poverty reduction strategy, and lay out the process for producing a fully developed PRSP in a participatory fashion.

In other words, I-PRSPs are produced by country authorities before taking the time to consult other organs of government (including the legislative branch) and civil society organizations (CSOs) in order to produce "a fully developed PRSP."

As of end-February 2002, 26 SSA countries had produced either PRSPs or Interim PRSPs (in three countries, both). Ten countries had submitted reports carrying the label "Preparation Status" (PSR) or "Progress" (PR). The Fund and Bank had produced 21 Joint Staff Assessments (JSAs), covering 18 countries. Documents and corresponding dates are listed in Table 3.[30]

Fortunately for researchers such as the present author, all these documents are accessible and searchable through the IMF's website. References to industry and manufacturing are summarized in the following breakdown of 20 countries.[31] Entries are omitted for five countries (Benin, Djibouti, Guinea-Bissau, Sao Tome & Principe, and Sierra Leone) whose I-PRSPs and JSAs (where those existed) said nothing about promoting industry or manufacturing.

Burkina Faso. Alone in the entire literature examined here, this PRSP cites NIC experience. A section labeled "Industry" states:

> The experience of numerous countries (Thailand, Malaysia, Mauritius, etc.) suggests that Burkina Faso, too, could develop new branches of industry, above all through small and medium-sized enterprises (SMEs) and by addressing regional and international markets. That could lead to an export boom that would turn those branches into pillars of growth, leading a transformation of the economy. To accomplish this, the economy of Burkina Faso must become much more open to foreign trade (both in order to lower the cost of imported inputs and to win market shares) and to direct foreign investment...The linchpins of future growth should be the SMEs, especially those in the clothing and food processing sectors and manufacturers of simple agricultural materials... Here, the State will help economic agents to identify "niches" for the development and export of new products for which demand is strong on international markets.

The paper goes on to describe measures for creating a more enabling environment for SMEs, supplying information on world markets, improving private sector support programs, combating fraud, unfair competition and corruption, and creating commercial tribunals.

Table 3 – P.R.S.P. PREPARATION IN SUB-SAHARAN AFRICA: STATUS AS OF MARCH 2002

					Joint Staff Assessment (IMF & World Bank)	
		Interim PRSP	PRSP	Preparation Status/Progress Report	First	Second
1	Benin	6/26/00		2010.12.1	10/16/01*	
2	Burkina Faso		5/25/00	9/30/01	10/31/01*	
3	Cameroon	8/23/00		12/28/01	1/10/02*	
4	Central Afr. Rep.	12/13/00				
5	Chad	7/6/00		11/30/01	12/21/01*	
6	Djibouti	2011.12.1			2011.6.1	
7	Ethiopia	11/30/00			1/25/01	
8	The Gambia	10/5/00		11/30/01	11/16/01*	
9	Ghana	6/30/00		2002.4.2	2/4/02*	
10	Guinea	10/30/00				
11	Guinea-Bissau	9/30/00				
12	Kenya	7/13/00			7/12/00	
13	Lesotho	12/31/00			2002.5.1	
14	Madagascar	11/20/00				
15	Malawi	8/30/00#				
16	Mali	7/19/00		11/30/01	11/29/01*	
17	Mauritania		12/13/00		2001.12.1	
18	Mozambique	2/16/00	4/30/01		3/27/00	8/28/01
19	Niger	10/6/00	2001.1.2		1/16/02	
20	Rwanda	11/30/00				
21	Sao Tome & Principe	4/6/00				
22	Senegal	5/8/00				
23	Sierra Leone	6/30/01			7/16/01	
24	Tanzania	3/14/00	10/1/00	8/14/01	11/2/00	11/1/01*
25	Uganda		3/24/00	2003.2.1	3/9/01*	
26	Zambia	7/7/00		9/28/01	7/12/00	10/22/01*
	COUNT (countries)	23	6	10	18	3

* JSA comments only on Preparation Status or Progress Report, not PRSP or I-PRSP.

\# Carries title "Interim Poverty Reduction and Growth Strategy Paper"

However, neither the PR issued 16 months later, nor its JSA, contains any reference to industry or manufacturing.

Cameroon. I-PRSP section on "Industrial development strategies" notes, "The development of industrial production is essentially driven by agribusiness and the base metals industry." (This refers mainly to aluminum.) Specific branches cited are construction materials, agro-foodstuffs, timber, industrial maintenance and repair, generic pharmaceuticals, farm implement and materials manufacturing, and construction and public works. An "industrial and commercial development strategy" is outlined, with measures to encourage competitiveness by deregulation and improvement of infrastructure. The PR and JSA, likewise issued 16 months after the I-PRSP, contain no references.

Central African Republic (CAR). I-PRSP section on "Direct action in favor of economic growth" states general intent to focus, in industry, commerce, tourism, and crafts, on "promoting private initiative by reconstructing the network of small and medium-sized enterprises destroyed during the recent mutinies and creating new units...The country's potential in the areas of mining (especially of diamonds) and tourism will be explored by reducing constraints...such as security problems in some areas of the country, and insufficient health and tourism infrastructures." No JSA yet released for the CAR.

Chad. Sole references to industry in this I-PRSP are cryptic mentions of "processing agricultural products" and "encouraging the development of industries manufacturing durable construction materials." Nothing in the subsequent PR or JSA.

Ethiopia. This I-PRSP is one of two PRS documents making use of the term "industrialization" (the word also appears in the Kenya I-PRSP.) Poverty reduction strategy "is centered around promoting economic growth...An agriculture-development-led-industrialization (ADLI) strategy is the core element for raising the income of the poor." Agricultural development is described as "the first stage" of economic development, but ADLI

> is also about industrialization as the final goal of the country. Agriculture and industry are brought into a single framework of development, wherein the development of agriculture is viewed as an important vehicle for industrialization by providing a market base and not simply as a source of raw material and capital accumulation. There is thus a move away from the classical processes of growth viewed historically.

While stressing the importance of the domestic market, given Ethiopia's second-largest population in SSA (after Nigeria), the paper cites ADLI strategy as "located within the context of progressive integration into the global economy... (E) xport-orientation and ADLI are viewed as mutually reinforcing."

Significant growth in industry's GDP share is anticipated from greater capacity utilization, now estimated below 2/3, as well as existing investment projects in utilities and manufacturing, and increased industrial investment. "Industrialization...is inter-woven with the development of the private sector." Regulatory impediments are to be removed, and public-private sector partnership encouraged "through establishment of platforms of dialogue." The business environment and incentive structure are to be made more attractive for manufacturing, described as "relatively disadvantaged compared to other activities due to relative lack of experience in this line of business, and the possibility of higher risk exposure and higher enforcement of taxes."

Ethiopia's JSA, issued 14 months after the I-PRSP, is one of only two in the whole list that mentions industry explicitly; this consists of a reference to the ADLI strategy.

The Gambia. I-PRSP contains a single reference to "promotion of private investments in key labor-intensive industries." A list of sectoral policies includes introducing "legal, regulatory, and incentive frameworks for investors in a reexport and export processing zone (Gateway Project)." Nothing in the subsequent PSR or JSA.

Ghana. I-PRSP's sole reference is a call for "broadening and deepening the manufacturing and services sectors in order to create new business opportunities as well as increase urban and rural employment opportunities, ... [and] encouraging the development of an indigenous entrepreneurial class through improving access to training, financial services, credit and local and foreign markets." Nothing in the subsequent PSR and JSA.

Guinea. According to the I-PRSP, "Given Guinea's enormous hydroelectric potential, the ultimate goal will be for the country to become an exporter of electrical energy." Manufacturing SMIs and tourism are included among "growth-oriented and income-generating sectors... The country's major tourism potential has long remained undervalued." No JSA issued yet.

Kenya. This I-PRSP notes the miserable performance of Kenya's manufacturing sector, whose growth averaged 2.3% p.a. over the six years 1994-99. The investment rate dropped from 15% in the 1980s to 10% in the 1990s, while "investment efficiency" has fallen even further, by 70%. The paper cites "greatly diminished industrial competitiveness, [which] resulted in a hollowing out of Kenya's leading industrial and agro-industrial clusters and contributed greatly to unemployment, and declining real wages."

There follows a 4-page action plan for the Ministry of Tourism, Trade and Industry (MOTTI), whose role has been "fundamentally redefined" to 'facilitate, promote and champion' the private sector and create a positive enabling environment for business." The plan makes all the right noises about reforming the regulatory environment, improving the legal and judicial system, reducing hindrances to foreign trade, opening new export markets for labor-intensive manufactures, boosting tourism, facilitating dialogue with the private sector, and so on.

Sectors given priority for "value chain analysis" are coffee, cotton/textiles/garments, tourism, pyrethrum, processed foods, leather and leather products. Implementation is to be overseen by an "Inter-ministerial Committee for Industrialization (ICI)" chaired by MOTTI's permanent secretary.

In short, the I-PRSP takes industry seriously enough, but for the present author, who worked in Kenya for three years in the 1960s and conducted numerous short-term assignments there subsequently, the question is: what real improvement can one expect under a regime as corrupt as that of President Daniel arap Moi? Unfortunately, a similar question could be posed with respect to many SSA PRSPs, and is undoubtedly so posed privately by IMF-World Bank officials concerned with those countries.[32]

Lesotho. "To meet the challenge of poverty reduction," says this I-PRSP, "economic policies will be more focused on resource allocation and strategies that give priority to activities that have a direct bearing on the poor." The core of medium term strategy includes policies favoring "export-led economic growth," notably "institutional, regulatory, and other reforms to boost private investment and exports, especially in the manufacturing sector." Tourism is mentioned among "non-traditional activities" to be targeted as "the main engines of growth."

According to the JSA, "privatization and various industrial development projects", along with measures to develop SMEs and encourage indigenous entrepreneurship, "have not resolved the problem of high unemployment."

Madagascar. Describing the private sector as "the engine of economic growth," this I-PRSP cites manufacturing, tourism, fisheries and mining as "high potential sectors" that will exert a "leading effect" on other branches, helping the economy attain a 6.3% annual growth rate during 2001-03, and an even higher rate beyond. After admittedly "stalling" during

2000-01, manufacturing growth is to exceed 9% in 2003.

Industrial development via Export Processing Zones[33] is highlighted. These are said to comprise about 130 enterprises employing over 40,000 workers in garment making, information processing, and other fields. "Vertical integration" is to be sought in food industries. Foreign private investment is recognized as "a means for transferring and communicating productivity in the national production system as a whole." Measures to stimulate private investment include a healthy macro-economic framework, reform of the institutional and legal environment, allowing foreigners to own land, privatizing SOEs, liberalizing capital movements, *et cetera*.

Thus far no JSA for Madagascar is available on the IMF website.

Malawi. "Stabilising the macro-economic environment, increasing investment and pursuing economic growth" is the second of "three possible growth options" in this I-PRSP. (The first is described as "an agriculture scenario," the third focuses on social development. Whether and how far the three options may be mutually exclusive is not made clear.)

A section labeled "Industry Sector/Investment Promotion" calls for "promot (ing) manufacturing for exports; product diversification and market development; reduc (ing) start-up time for the establishment of new investment; strengthen (ing) export promotion activities; accelerate (d) processing of licenses, permits, [and] land approvals." This activity is described as having started in 1998.

Here also no JSA has thus far been posted.

Mali. I-PRSP refers to near doubling (from 10% to 19%) of industry share in GDP from late 1970s to 1999. (Note that the 1999 figure blatantly contradicts the 4.1% given in the World Bank's *WDI — 2001*, reproduced in Table 1 above.) Future measures are listed in a section labeled "Manufacturing":

> In addition to activities to promote private investment, auxiliary accompanying measures will be adopted. These will include activating the agency for industrial park development and management, and facilitating access to technological information by economic agents. The role of private sector management units will be strengthened to enhance the private sector's contribution to transformation of the economy in favor of the manufacturing sector.

The PSR and JSA omit any reference to manufacturing or industry.

Mauritania. According to the I-PRSP,

> a general study will be done of the competitiveness of the Mauritanian economy in 2001 in order to: (i) prepare a list of export opportunities available to the country and

> evaluate its strengths and weaknesses in the context of a globalized economy and (ii) propose a program of action to strengthen the competitiveness of the economy and to make it more attractive to foreign direct investment.

Facilities are to be established for industrial processing and artisanal preservation of garden produce, and foreign direct investment encouraged in processing of fisheries products, hides & skins, and leather. Export possibilities for packaged red meat are to be explored.

The JSA does not comment on these components of the paper.

Mozambique. This PRSP insists on economic growth as a *sine qua non* for poverty reduction, setting a target of 8% GDP growth during 2001-10. It identifies six *priority areas* for poverty reduction, namely education; health; agriculture and rural development; basic infrastructure; good governance; and sound macroeconomic and financial management, and eleven *complementary areas,* namely employment and business development; social action; housing; mines; fisheries; tourism; industry; transport and communications; technology; the environment; and protection against natural disasters.

In regard to industry, the paper highlights agro-industry and labour-intensive export industries. Promotion of the former is described as "an enabling factor for agriculture and rural development and the growth of employment."

> (I) t expands the market for agricultural products, contributing to the expansion of agricultural investment and employment; it is a nascent sector, as a result of structural changes due to technological developments and rising productivity in agriculture, which can soak up surplus labour from agriculture; agro-industries, in themselves, can create many rural and urban jobs. Manufacturing industries geared to export markets are also levers for job creation, through their exploitation of foreign markets using labour-intensive technologies.

Manufacturing development "depends on the expansion of private initiative and investment, including micro, small and medium enterprises." Emphasis is placed on the State's "role in creating human capital, providing basic infrastructure, and establishing a propitious climate for private investors, fundamentally through adequate macroeconomic and financial policies." This includes expansion of credit, along with "simplification of legislation and administrative procedures."

One wonders about the distinction between "priority" and "complementary" areas when several of the latter now receive, and are scheduled to continue receiving, much larger allocations of private and public investment than the former. Moreover achieving the 8%

GDP growth target will require that several "complementary" sectors grow much more rapidly than "priority" sectors — e.g. industry as opposed to agriculture. Notwithstanding, the JSA explicitly endorses the PRSP's choice of priorities.

Niger. Saying that growth during 2001-2005 "will be essentially driven by the agro-pastoral sector and the private sector," this PRSP confines its mention of manufacturing and industry to processing of agricultural, forestry and pastoral products; manufacturing agricultural equipment; and enhancing farmers' non-farm income through handicrafts and agro-processing. The JSA makes no mention of industry or manufacturing.

Rwanda. Considering the obvious barriers to this country's becoming an exporter of manufactures, this I-PRSP is quite forward about promoting the cause. Noting that "most manufacturing firms in Rwanda were set up as import substituting entities with the protection of high tariffs, quantitative restrictions and price controls," the paper talks about promoting industries on "a case-by-case basis", taking into account "(i) export orientation, (ii) level of local raw materials input, (iii) employment generated directly and indirectly, (iv) level of value added and (v) taxes paid."

An investment promotion agency, already providing a one-stop window for investors, is to arrange studies of constraints on competitiveness and support marketing campaigns. An industry federation is to study "sectors in which Rwanda can develop a competitive advantage, using the cluster approach," and support technical assistance to private firms. More competitive pricing of utilities will be sought, and a trust fund established for helping local entrepreneurs buy a stake in privatized SOEs.

Finally, the I-PRSP aspires to make Rwanda, with a skilled bilingual population, a center of teledata processing.

No JSA has yet been posted.

Senegal. Sole mention of industrial policy in the I-PRSP, "(A)s the result of sound fiscal policies and the improved environment for private investment, the banks are expected to increase financing for productive investment, especially in the industry and services sectors, and to support the efforts of businesses to reorganize and adapt themselves to the accelerating pace of foreign trade liberalization." No JSA has yet been issued.

Tanzania. The recent PRSP Progress Report,[34] issued in August 2001, refers to promoting "partnership between agro-industries and contract growers, to provide strategic vertical linkages that will ensure access to inputs, credit, and output market for smallholders, as well as steady supply of raw materials to agro-industries." The only other reference to industrial policy is a statement of intent to promote small-scale industry in the formal and informal sectors "in order to increase employment opportunities for the poor and help enhance their productivity and competitiveness in the rural and urban areas."

Interestingly, this report's JSA goes further than any other to imply that the paper says too little about structural transformation:

> Tanzania's economic policies are aimed at increasing growth, enhancing market efficiency, and reducing poverty in an environment of macroeconomic stability. The sound performance described in the Progress Report is an accurate representation of recent developments. However, the Progress Report does not bring out the major linkages between macroeconomic policies, structural reforms, and poverty reduction, as had been suggested in the Joint Staff Assessment of the full PRSP. Exploring these linkages remains an important task for the next progress report. In this context, the next report should provide a more thorough discussion of monetary and external sector policies, as well as of the role of the financial sector in the poverty reduction strategy."[35]

The reference to "external sector policies" implies concern that the Tanzanian government should be paying much more attention to attracting foreign investment in manufacture for export.[36]

Uganda. Saying that accelerating economic growth is "a crucial component of the PEAP[37]", this paper stresses the

> setting [of] appropriate macroeconomic incentives. This involves economic openness, which encourages exports and labor-intensive investments. The future for Ugandan industry is not reliance on a wall of high tariff protection — which encourages capital-intensive investment which does little for employment — but open competition in a market which is being expanded by rising incomes from agricultural modernisation.

The paper continues: "In order to promote economic transformation, the constraints *on private sector competitiveness* need to be removed." These are given as infrastructure (power cuts and defective roads), difficulties of contract enforcement, and weakness of the financial sector. "Reform of these sectors is essential for the development of the private sector. This is a poverty issue, because the expansion of formal employment is a central part of the strategy."

Neither industry nor manufacturing is alluded to in the JSA.

Zambia. Following a litany of economic decline, this paper bemoans Zambia's failure to adapt structurally to "emerging challenges, including a rapidly growing population... Manufacturing, which had initially expanded, has largely failed to withstand competing imports when the economy was opened up in the mid 1990s." The only other references to industry relate to the country's dominant copper sector. The PSR and JSA contain no references to industry or manufacturing.

13. Conclusion

In sum, the PRS literature thus far, including that portion of it produced by the IMF and World Bank, is something less than a ringing affirmation of the principle that SSA will not achieve its targets for GDP growth and, thence, poverty reduction until it succeeds in raising growth rates of manufacturing value added and manufactured exports significantly above GDP targets. In this writer's view, the Fund and Bank should be more forthright than they appear to have been thus far in stressing industrialization as the path nearly every African country must follow if it is to emerge from its poverty trap.

To be sure, more open proclamation of that rule will not necessarily bring about actions to attract manufacturing investment and raise the sector's growth rate. Notwithstanding the acknowledgement in Burkina Faso's PRSP (for which three cheers!), too few SSA leaders are yet convinced of the relevance or feasibility, in African conditions, of the East Asian or even Mauritian model.

Moreover the Fund and Bank literature reviewed here continues to insist on the policies required to attract the desired investment. Realistic exchange rates, liberalized domestic credit, quick access to inputs at world market prices, freedom from harassment by port and customs services, removal of unwarranted regulatory interference, efficient public utility services, rule of law including contract enforcement — conditionalities along these lines figure in PRGF arrangements as they did in SAF/ESAF days.

However, in our view the proliferation of programs — wish lists, as some external commentators in the Comprehensive Review called them — that can be viewed as contributing to poverty reduction and that appear in one form or another in most country PRS documents, carries a danger: namely, the risk of distracting attention from the fact that, while progress has been achieved in enhancing incentives for investment, much remains to be done nearly everywhere in SSA to establish a truly enabling environment. We see no harm, and much potential benefit, in continuing to harp on the theme that industrialization, and the measures required to facilitate it, are a prerequisite, even if not a wholly sufficient condition, for reducing poverty to tolerable levels.

In its unqualified form, this affirmation risks lending itself to two interpretations that we hasten to disavow. Firstly, we do not mean to imply that policy choices and public investments affecting the agricultural sector are unimportant in determining a strategy for poverty reduction. Precisely out of a desire to further industrialization, as well as in response to demands from a politically influential urban population, most SSA countries have for longer or shorter periods disadvantaged agriculture in an effort to hold down prices of imports, foodstuffs, and inputs in agro-processing industries. Moreover, agriculture has suffered dearly from the intervention of state-controlled entities in marketing of outputs and inputs.

For two decades, SA programs have properly featured conditionalities requiring governments to rectify misguided policies towards agriculture. As pieces of PRS literature quoted in section 12 indicate, a healthy rural sector provides an important market for simple domestic manufactures (so-called "wage goods") and thus a stimulus for industrialization. Moreover, for years to come in most of SSA, agriculture will remain a vital source of foreign exchange to support importation of industrial inputs.

Indeed, to counter any misinterpretation of the present paper's focus on industrialization, we will state the obvious point that a PRS should encompass all feasible policies and actions that will induce efficient labor-intensive activity in any economic sector.

The second interpretation we wish to guard against is the implication that SSA governments should resume or continue the disastrous efforts of the past to promote industrialization through establishment of state-owned factories producing import substitutes. In most cases these involved corrupt deals with foreign contractors and equipment suppliers that created units generating negative value added at border prices. Rather, pro-growth industrialization depends first and foremost on creating an enabling — going beyond that, encouraging — environment for private investment in all categories of industry, beginning with SMEs.

Notes

1 As at end-February 2001, the IMF listed 77 countries as being eligible for the ESAF's successor lending facility, discussed in this paper. Forty of those were in SSA. Eight SSA countries were noneligible on account of having per capita GDP above the IDA threshold (IMF 2001, pp. 3-4).

2 Fischer, Hernández-Catá, and Khan (FHK 1998), pp. 18-19. Most of our text here paraphrases FHK.

3 IMF (2000), pp. 95-96.

4 IMF (2001), p. 1.
5 IMF (2001) pp. 1-2.
6 The detailed disclaimer: "While the drafts have been reviewed by the heads of the relevant sectors at the Bank and Fund, they do not necessarily represent official World Bank/IMF policy...It is important to note that the Sourcebook is a "living document" which is expected to change in light of experience and comments. It is intended only to be suggestive and to be selectively used as a resource to provide information about possible approaches. It does not provide "the answers," which can emerge only as a result of analysis and dialogue at a country level." IMF-World Bank (2001), "Introduction," p. 1. Emphasis in the original.
7 IMF/WB (2001), "Overview," Box 2. Authorship of this chapter is attributed to Jeni Klugman.
8 IMF/WB (2002a), p. 19n. Some of the NGO submissions to a Fund-Bank 2001-02 Comprehensive Review of the PRSP process contain colorful language. A "Pan-African Declaration," identified as emerging from a May 2001 Kampala Workshop, carrying the title "PRSPs - Structural Adjustment Programs (SAPs) in Disguise", characterizes PRSPs "as yet another attempt by the Fund and Bank to continue imposing their structural adjustment programs on the people of poor countries, which would result in even more comprehensive control by them not only over financial and economic policies but over every aspect and detail of national policies and programs in the South. The PRSP process is being driven by and for the giant trans-national corporations (TNCs) and global financial forces so as to restructure and run the world to serve their interests." Paraphrase by IMF consultant Jadhav (2002), p. 124.
9 Volume 1, entitled "Core Techniques and Cross-Cutting Issues," does not address issues of accelerating GDP growth.
10 IMF-World Bank (2001), Vol. 2, Chapter 1, p. 3. Italics in the original. Authorship of the chapter is attributed to B. Ames, W. Brown, S. Devarajan, and A. Izquierdo.
11 Ibid., p. 9.
12 IMF (2002a), p. 24.
13 IMF (2002c), p. 2.
14 IMF-World Bank (2001), Vol. 2, Chapter 1, p. 6. Emphasis supplied.
15 [At this point the chapter cites Datt and Ravallion (1998), Thorbecke and Jung (1996), Timmer (1997), and Bourguignon and Morrison (1998). See References at end of this paper.]
16 To find references to manufacturing, industrialization and related concepts, the Word search engine was directed to "manufact" and "industr".
17 The reference is to the celebrated "Berg Report", *Accelerated Development in Sub-Saharan Africa,* identified by the name of the American economist, Elliot Berg, who headed the drafting team.
18 IMF-World Bank (2001), Vol. 2, "Trade Policy" chapter, p. 20.
19 Ibid., p. 3.
20 IMF-World Bank (2001), Vol. 2, "Urban Poverty" chapter, pp. 6, 21 and 20, respectively.
21 World Bank (2002).
22 For two countries in Table 1 the ending date is 1997; for three countries the starting dates are 1986, 1988 and 1990, respectively.
23 The source gives weighted average growth for the entire regions.
24 Region-wide population and GDP growth rates were calculated by the author from annual data for the SSA region as a whole in the on-line version of World Bank (2002).
25 MVA and GDP data from World Bank (2002). Sugar exports in 1950s (including molasses) according to Findlay & Wellisz (ed. 1993), p. 224.
26 World Bank (2001), p. 2.
27 World Bank (2001), p. 1. Population growth in 1970 and 2000 from World Bank (2002).
28 IMF-World Bank (2001), Vol. 2, Chapter 1, p. 6. Emphasis supplied.
29 IMF (2002b), p. 1.
30 We take no account here of PRS documents issued by 18 non-SSA countries, of which six each in the former Soviet Union and non-Soviet Asia, four in the Americas and two in Eastern Europe.
31 In lieu of footnoting a reference to each document mentioned in this section, the reader is referred to IMF (2002e), where all documents are listed and accessible via the Internet.

32 Out of 91 countries ranked in Transparency International's 2001 *Corruption Perceptions Index,* Kenya is in a 4-way tie for fifth place from the bottom (i.e. most corrupt). Of 15 SSA countries included in the index, ten rank in the bottom third.

33 Rather than referring to groups of industries in a single enclosure, Madagascar EPZs comprise individual factories that have been granted tariff and other concessions.

34 The IMF PRSP website (IMF 2002b) identifies this as a second PRSP, but reference to the document itself shows this to be incorrect.

35 Emphasis in the original.

36 Confirmed in conversation with representative of World Bank Resident Mission in Dar es Salaam, February 2002.

37 Poverty Eradication Action Plan. Emphasis in the original.

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