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Fighting Poverty in Africa: Poverty Reduction Strategies, Employment and Accumulation

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Introduction[1]

In Sept, 1999 at the Annual Join Meeting, the World Bank and IMF officially rediscovered the fight against poverty in Africa.[2] To the Fund the Extended Structural Adjustment Facility (ESAF) was instantaneously transformed into the Poverty Reduction Growth Fund (PRGRs) and in 2001 the World Bank introduced Poverty Reduction Support Credits (PRSCs) replacing Structural Adjustment (SALs) and Sectoral Adjustment Loans (SECALs). At the same meeting it was agreed that "nationally-owned participatory poverty reduction strategies" should become the base for all World Bank and IMF lending on concessional terms and for debt relief under the enhanced HIPC initiative. Shortly thereafter, these "domestically generated" plans became known as Poverty Reduction Strategy Papers or PRSPs. To reach the decision point each country must have an interim PRSP or complete PRSP and to reach the completion point for full debt relief under HIPC the country must successfully implement one year PRSP targets.

The incentives to gain access to concessional lending and the promise of debt relief under the enhanced HIPC have proven very attractive. Moreover, PRSPs have also become a prerequisite for access to an array of new bilateral funding sources such as Poverty Reduction Budget Support (PRBS). By April, 2004 28 countries had Bank/Fund approval of their RSPs (Interim PRSPs), PRSPs, or both in SSA (Sub-Saharan

[1] An earlier version of this paper was presented at the African Studies Centre, University of Copenhagen, 24 February, 2004

[2] During the 1970s McNamara moved the Bank toward social spending with an emphasis on poverty reduction. During the 1980s discussions of poverty were largely absent in the World Bank literature (particularly before the UNICEF's critique of 1987). The Bank even admitted this in their publications (Beckman, 1986). With the publishing of the World Development Report, 1990 (on poverty) concerns about the poor once again entered the literature of the Bank. However, the issues were largely peripheral until the expansion of HIPC with its relocation of funds from debt to social spending and the official renaming of the devices.

Africa) with 8 successfully completing one year targets for HIPC relief (World Bank, 2004b). What has this meant to the fight against poverty in Africa? Do PRSPs generate new strategies for poverty reduction? Are the voices of the poor now being incorporated into the PRSPs? Do the PRSPs even measure up to their stated goals? Will PRSPs finally reverse the negative trends under adjustment and begin to generate employment, accumulation and the structural transformation of economies which have been the sine qua non of every successful example of poverty reduction in East and Southeast Asia? These are some of the questions that we will begin to evaluate in this paper. I will start with a brief review of the poverty situation in Sub-Saharan Africa. This will be followed by a critical evaluation of the new PRSPS relative to their stated goals and their ability to generate employment and accumulation. I will review employment and accumulation in a select group of African countries under adjustment before pointing to an alternative strategy. My main argument is that there is little new in PRSPs? They still rely on the same failed strategies contained in structural adjustment and will not be able to break the virtuous circle between accumulation, employment generation, rising income and falling poverty leading to higher accumulation.

Poverty in SSA

In SSA, under structural adjustment there has been a dramatic rise in absolute poverty levels. According to the World Bank, the number of people living under $1 per day in SSA (Sub-Saharan Africa) increased from 241 million in 1990 to 315 million in 1999. This is from 48% of the population to nearly 50% of the SSA population. Two other areas of the world heavily under the neo-liberalism (Latin America and the former

Soviet Bloc) also increased their absolute numbers. Proportionately the SSA share of the world's poor increased from 18.7% to 27% of the total (SSA has roughly 10% of the world's population) (World Bank, 2003a).

UNCTAD (2002a) in its Least Developed Country Report uses a somewhat different methodology to analyze the 30 least developed African countries (including Haiti). They estimate that 64.9% of the population lived under a dollar/day in 1995-1999 up from 56.4% in the pre-adjustment period of 1975-79.[3] Even this understates the degree of poverty. They estimate that in the latter period the average daily consumption was roughly 59 cents per day (1985 PPP/day). In absolute terms, there was an increase of 108.1 million people living in poverty in the poorest SSA African countries over the adjustment period.

The percent of the population living under 2 dollars per day in SSA is roughly 75% of the total in 1999 (World Bank, 2003a). By the UNCTAD study the percentage of people under $2 per day grew from 83.7 to 87.5 from 75-79 to 95-99.

By the UNCTAD measure some of the heaviest adjusters that have been spared the horrors of conflict had the worst poverty rates. An estimated 79.2% of the population of Tanzania lived under $1 per day in the late 90s up from 78.2% in 1991; as did 80% of the Zambia population up from 66.7% in 1991; and Niger's rate was at 74.4% of the population little changed from the early 90s (UNCTAD, 2002a).

With this overwhelming evidence of the pauperization in many parts of SSA, the global aid community led by the World Bank and IMF formally

[3] They use national accounts to generate consumption data combined with distribution data from household surveys. The Bank only uses household survey data.

shifted their focus to poverty reduction in 1999. For the World Bank, IMF and donors this was the key to solving the problems of structural adjustment since it would encourage aid ownership by setting up a mechanism for input from civil society stakeholders, ensure governments drafted the PRSPs rather than the IFIs, create new anti-poverty strategies, and free up money from debt servicing to increase social sector spending.

World Bank Core Principles of PRSPs: A Critical Assessment

For the World Bank, there were to be five core principles underlying the development and implementation of poverty reduction strategies. Each PRSP would be:

- country-driven — involving broad-based participation by civil society and the private sector in all operational steps;
- results-oriented — focusing on outcomes that would benefit the poor;
- comprehensive in recognizing the multidimensional nature of poverty;
- partnership-oriented — involving coordinated participation of development partners (bilateral, multilateral, and non-governmental);
- based on a long-term perspective for poverty reduction. (World Bank, 2004a)

What is the reality? How does this measure up to the experience of PRSPs?

i. Have the PRSPs been country driven?

Let me discuss the case of Tanzania where I did research in 2002. Beyond a few hours on a Saturday morning there was no parliamentary participation in the PRSP. There were 804 people of a population of 30 million consulted in zonal workshops over a two day period. Beyond the listing of some of the concerns expressed by the poor in Part III A of the Tanzania PRSP, there was no evidence of any resulting changes to the "poverty reduction strategies" of the PRSP (more on this below). In discussions with Ministry of Finance members in charge of the PRSPs we inquired how this changed the content of the PRSPs. They said it influenced some of their drafts. When we asked for evidence of this and an opportunity to look over the drafts, they did not produce them as promised which made us rather skeptical. Meanwhile the Fund and Bank rejected two Ministry of Finance drafts of the PRSPs before accepting the third. In my interviews with parliamentary representatives, we asked if anything in the PRSPs reflected their input. They said absolutely nothing. There were in fact two sentences in the entire PRSPs devoted to the views of Parliament one indicating they simply "concurred with the reported findings of the Zonal Workshop" and one other rather banal comment on the need to consider regional differences.

According to a recent survey by Stewart and Wang (2003) (which covered 52 countries with full PRSPs or I-PRSPs) the role of national Parliaments in formulating PRSPs has been rather minimal. In Malawi, only 5 MPS were involved while in Kenya, less than 10 percent of MPs attended PRSP meetings. In Senegal and Mali representatives were only involved in the final ratification of the PRSP while only six of the 83 MPs in Benin participated in any PRSP related discussions.

Participation has frequently been highly selective with governments carefully choosing the groups providing input. In Cameroon, the government bypassed important societal institutions such as the Catholic Church which had heavily campaigned for debt relief. Even where a large number of NGOs have been consulted they have frequently not been representative of the poor constituents. In the case of Ghana, many participating NGOs had links to donors rather than to broader domestic pro-poor groups.

Expediency has frequently driven the PRSPs since countries have strong incentives to rapidly complete the process. Participation has often been pro-forma. In Ethiopia the government completed its consultations with 100 districts in only three days. In Cameroon, workshops met only once on a single day with no follow up possibilities. In Senegal, groups were asked to comment on initial drafts of PRSPs without even seeing them! Stewart and Wang (2003) surveying the evidence conclude "it appears that participation has had limited impact on the wider content of PSRPs. The perception among many civil society participants and third party observers has been that the recommendations made during consultations have largely not been incorporated in final documents."(p.17)

Although the participation was rather weak, the PRSPs can still represent the interest of the poor as a result of the enlightened insight of the technocrats within the World Bank.

ii. The interest of the poor vs. the content of the PRSP: Do the PRSPS focus on outcomes that will benefit the poor?

A recent UNCTAD (2002b) survey of 27 African countries compared the content of the PRSPs with the demands of poor people arising from the World Bank's own project "Voices of the Poor". The results are listed in Table One.

Table One

Comparison of “Voices of the Poor” and PRSPs

Sphere	Policy aspirations of the African poor	*Policy recipes of typical PRSPs*
Education	All school expenses must be lowered	*Reduce or eliminate primary school fees, apply user fees at higher levels*
Health	Curative treatment should be free	*Free preventive health care user fees in and drug prices affordable curative health, except for specified diseases*
Agriculture	Distribute land, reduce land rents, subsidize basic inputs and credits; schemes; no privatization of common land; no dismantling of government-run coops	*Develop land markets; promote micro-credit; No subsidies and taxes on agriculture and eliminate marketing boards*
Labour market	Provide employment; eliminate measures that increase unemployment	*Reduce rigidities in labour markets*
Macro policies	Expansionary macro policies: “when wages decline, crop prices fall”	*Fiscal and monetary prudence*
Distribution	High sensitivity to class polarization	*Careful avoidance of distributional trade-offs*
Private sector	No massive privatizations; anti-big; business;	*Private-sector-led development; micro-credit favour local moneylenders; privatization; eliminate financial repression to cheap credit to the poor encourage saving*
Corruption	Eliminate nepotism and corruption in health care, employment, justice and security services,	*Should constitute part of the broader governance agenda with special emphasis on high-level corruption vis-à-vis business*

(Source: UNCTAD, 2002b)

The contrast between the wishes of the poor and the reality of PRSPs is quite apparent. The poor would like free health care while the World Bank still consider treatment to be a "luxury" that still must be covered by users. The poor welcome free access to primary education but would like it extended to other levels of schooling.

The pressure for removing some health care and primary school user fees which have been an integral part of structural adjustment from its inception came not from demands from the poor whose pleas were ignored for years, but from the US Congress. The changes to World Bank conditionality exactly match the provisions of the US 2001 Foreign Operations Appropriations Bill signed into law in November, 2000:

Sec. 596. The Secretary of the Treasury shall instruct the United States Executive Director at each international financial institution (as defined in section 1701(c)(2) of the International Financial Institutions Act) and the International Monetary Fund to oppose any loan of these institutions that would require user fees or service charges on poor people for primary education or primary healthcare, including prevention and treatment efforts for HIV/AIDS, malaria, tuberculosis, and infant, child, and maternal well-being, in connection with the institutions' lending program. (Fifty Years is Enough, 2000)

In the Tanzania PRSP, the concerns of the poor are lumped together under a subheading which is then addressed using completely orthodox policies. For example under the category of "Income Poverty" the PRSP lists the following complaints of the poor at the zonal workshop:

- Poor working tools and technology (highlighted by over one third of the groups involved in the workshops);

- ♦ Non-availability of farm inputs (approximately one third);
- ♦ Poor roads (nearly one third);
- ♦ Limited access to markets (one third);
- ♦ Non-availability of credits (almost one third);
- ♦ Collapse of cooperatives (one sixth);
- ♦ Adverse climatic conditions (one sixth); and
- ♦ Absence of safety-nets to cope with (weather-related) short-term fluctuations in income (one sixth). (URT, 2000)

By what measures are these to be addressed. I quote:

In pursuit of the above poverty reduction objectives, supporting measures will be needed in four strategic areas. ***First***, the Government will continue to maintain sound macroeconomic policies and intensify the implementation of reforms aimed at bolstering market efficiency, notably in agriculture, and raising factor productivity. ***Second***, while the budgetary expenditure will continue to be restrained because of macroeconomic considerations, special efforts will be made to channel the limited Government resources toward the support of key programs and social services under the poverty reduction strategy (discussed in Section V). ***Third***, the Government will put increased emphasis on reforms aimed at promoting export-oriented expansion and diversification of the "pro-poor" sectors, with a view to enabling the poor to share increasingly in the benefits of globalization. ***Fourth***, efforts will be made to raise steadily investment as a percent of GDP from 15 per cent to approximately 17 per cent including through initiatives focusing on bolstering private investment in the cultivation of traditional and new crops, small and medium size enterprises, and informal sector activities. (URT, 2000)

Does anybody truly believe that any of the above concerns of the poor will in anyway be addressed by these “four strategic areas”? Let us now turn to the third point.

iii. Comprehensive in recognizing the multidimensional nature of poverty or more of the same?

Perhaps the poor don’t know what is good for them. Perhaps the government through negotiations has developed programs that are comprehensive and will recognize the multidimensional nature of poverty. In Tanzania, a country that has been a leader in new aid modalities, there was strong evidence of the continued overriding centrality of the typical orthodox policies. Tanzania’s PRGF targets (which predated the PRSP) like inflation rates and foreign exchange liberalization were found in the Poverty Reduction Strategy Papers and the Poverty Assessment Framework specifying the goals of the Poverty Reduction Budget Support (PRBS). The report also reflected the IMF official line that macro-stabilization reduces poverty.

The PRSP states: “the poverty reduction strategy is to a large extent an integral part of ongoing macroeconomic and structural reforms…Some of these reforms, including those being supported under the PRGF and PSAC-1 are expected to have a significant impact on the welfare of the poor” (URT, 2000, p. 17). Beyond this there was no clear strategy of the relationship between targets and improvements in poverty.

A closer examination of the macro-economic and structural reform policy contents of the 30 completed PRSPs by Stewart and Wang (2003) reveals that there is no fundamental departure from the kind of policy advice provided under earlier structural adjustment programs. Current policies contain all the elements of the first generation of policy reforms designed to promote the role of the market and ‘get the prices right’ and share a similar format and content involving all of the following reforms: financial and trade liberalization; privatization; public sector reform; sectoral policies (e.g., infrastructure, energy and manufacturing); and social sector reform.

iv. What of the notion of partnership?

Partnership generally implies a genuine exchange of ideas and a relationship of cooperation and coordination. The discussion above of the multiple rejection of the Tanzania PRSP by the World Bank and IMF would hardly constitute partnership and seems more in line with the word “dictatorship”. Moreover in a world of partnership real discussion and bargaining would push the content of PRSPs to diverge from World Bank and IMF programs which predate the PRSPs. Yet, studies examining the content of IFI programs and PRSPs have indicated an enormous resemblance between the two.

Dembele (2003), for example, compared the targets of the PRSP in Senegal to the World Bank’s Country Assistance Strategy:

Table Two

Comparing the policy content of Senegal's 'Poverty Reduction Strategy Paper' and the World Bank's 'Country Assistance Strategy'

A) Senegal PRSP Document	B) Senegal World Bank Country Assistance Strategy
1) Focus on growth ('wealth creation') 2) Private sector as engine of growth 3) Adopt 'sound macroeconomic policies' 4) Undertake more privatisation 5) More trade liberalisation 6) More liberalisation of the labour market 7) Regulatory and judicial reforms 8) Reform of the financial sector	1) Focus on growth 2) Private sector development 3) Improve investment climate 4) Remove remaining trade barriers 5) Eliminate administrative barriers 6) Reform fiscal policy (more incentives for investors) 7) Reform legal and judicial framework 8) Reform the financial sector

(Source: Dembele, 2003)

The nearly identical nature of the aims of these two documents is hardly a coincidence and reflects a mechanism of domination of the IFIs in the process and the incentives for the governments to be dominated (Dembele, 2003, p.40).

v. What of a long term perspective plan for dealing with poverty?

At the core of poverty alleviation in many Asian countries has been the creation of formal sector jobs. Yet, I would argue that since there is no strategy in any of these PRSPs for structural transformation, accumulation or employment generation the long term effort to reduce poverty is doomed from the start.

Take the Tanzania PRSP. In the entire report unemployment is mentioned only in one place. At a National workshop of 25 high level representatives of mostly government officials and international donors there was a call to "address the problem of unemployment among youths in the urban areas". So how does the PRSP propose to create employment? I quote "the government plans to spend Tshs 100 million annually to support demand driven skill development" (URT, 2000, p. 26)

Does anyone really believe that the shortage of jobs in Tanzania is due to a mismatch of skills between the supply and demand for labor or that this paltry sum (less than $100,000) will have any impact on job generation? The latest data on unemployment in Tanzania is startling. The unemployment level in Dar es Salaam hit 47% in January-March, 2001. 60% of this total had no work for more than one year. At the national level urban unemployment rose by 42% between 1990/91 and 2000/01. The largest category of unemployment expansion was in individuals with a secondary school education where the number of unemployed increased by 288%. In Dar 80% of the unemployed have primary or secondary school education (URT, 2003). By African standards these are the most employable people. Is this a job skill matching problem (which is a typical standard neo-classical argument for unemployment) or a lack of demand for employees in the formal sector -

the latter of course. The complete disappearance of well paid formal sector opportunities has been a disaster in Africa and one of the great failures of structural adjustment. In fact the ILO estimates that formal sector relative to total employment has dropped from 20-30% in the late 1960s to less than 10% in the late 1990s in SSA (van der Geest and van der Hoeven, 1999). We will discuss this in more detail below in the context of employment in manufacturing.

The PRSP also plans to raise investment rates from 15 to 17% of the GDP "through initiatives focusing on bolstering private investment" (URT, 2000, p.15). And how is this to be achieved: implementing a commercial court project plan; submitting new companies legislation, approving a proposal to relax restrictions on foreign portfolio investment in equities, add more staff to the Tanzania investment center, further liberalize utilities which will reduce costs, and implement a new strategy to accelerate anti-corruption. This is of course, the exact failed neo-classical strategy of the past 10 years with its focus on stock markets and the rule of law. The poor performance of investment in the decade (as we will discuss below) is hardly an affirmation of this strategy. Moreover, the lack of inflows to stock exchanges outside of South Africa was hardly due to impediments but a lack of foreign interest.[4] Even if there was interest, the volatility of equity flows (as we saw with the Asia crisis) is not necessarily the most propitious route to capital accumulation.

[4]There was a net outflow of portfolio investment in SSA excluding South Africa of approximately 200 million dollars between 1995 and 2001 despite (or perhaps due to) the creation of 14 new stock markets between 1990 and 1998 (World Bank, 2003c).

Employment and Accumulation in Africa: A Review

The rising unemployment situation in Tanzania is not an exception but more the norm found in many SSA countries. Accurate data on unemployment, however, is difficult to obtain with few surveys as systematic as the one reported above. However, UNIDO collects statistics on manufacturing employment. The table examines data from 11 different countries in SSA. Countries are selected due to the availability of comparatively recent data on the manufacturing sector. The table also contains information collected from a variety of sources on manufacturing valued added (MVA)/capita, MVA/GDP, gross capital formation and GNP/capita. Data is also presented for Malaysia.

Arguably, every Asian country that has taken off in recent decades has done it not through unprocessed agricultural exports, the static comparative advantage approach pushed by the World Bank in Africa, but through increasing manufacturing value added. Manufacturing is associated with higher income elasticities, can act as a conduit for technological transfer, has much greater potential for heterogeneity and associated market segmentation and niche production, has higher potential returns and can generate much greater backward, forward and demand linkages.

The link between rising MVA, investment and accumulation, employment generation, rising income and resulting poverty reduction can be seen in the data on Malaysia. Between 1990 and 2000 employment in manufacturing tripled in absolute terms and doubled relative to the total population to an astonishing 9.3%. MVA/capita doubled and rose to 31% of GDP while gross capital formation maintained a very respectable 29%. GNP/capita increased by 58% to a level exceeding $3300. As measured by the Malaysian Poverty Line Index which evaluates the minimum requirements of a household for food, clothing and other items like rent, fuel and power, poverty fell from 17.1% of the population in 1990 to a mere 5.5% in 2000 (Henderson et al., 2002).

In contrast we can see from Table Three, the opposite movement of declining employment, falling MVA/capita, disaccumulation and a falling standard of living. While more than half the countries actually had a decline in the absolute number of people employed in manufacturing in all eleven countries employment was not keeping up with the general expansion in the population (and likely leading to further increases in unemployment).

By 1998/2001 most of the SSA in the sample had fallen into the extremely tiny range of .1 to .5% of the population employed in manufacturing. On the surface, in line with a diminishing percentage of people earning their livelihoods from manufacturing wages, six (Zimbabwe, Cameroon, Malawi, S. Africa, Kenya and Ethiopia) of the sample of 11 countries were experiencing stagnation or declining MVA/capita, MVA relative to GDP, falling gross capital formation and a declining standard of living as measured by GNP/capita.[5] In the case of Senegal, there were some apparent improvements in productivity since value added per capita and relative to GDP increased. However, still there was a 40% decline in absolute employment levels and rather large deterioration in the standard of living with GNP/capita falling by 33% over

[5] I am in no way suggesting that falling employment in manufacturing is the cause of declines in the other statistical indicators in the table in these countries. Each has its own dynamic which are interactive with each other and a variety of other factors. However the virtuous circle of rising investment, value added, employment and income leading to higher investment is clearly absent and will not arise in the world of structural adjustment (renamed poverty reduction strategies) for very clear policy and theoretical reasons. See the discussion below.

the 1990s. Tanzania and Mozambique have been the “darlings” of the IFIs since the mid-90s and have been large recipients of foreign aid. By 2001, Tanzania was receiving 71 % above the average per capita for SSA with an increase in the aggregate of 41% from 1996 to 2001. This is quite remarkable in an era of donor fatigue and reflects efforts to create a “success” case for neo-liberal reforms. Donors were even more generous to Mozambique with net flows reaching 148% above the average of SSA per capita aid in 2001 (World Bank, 2004c). In both cases there was some improvement in the standard of living in the 1990s.

The one country that has created a virtuous circle between the generation of employment in manufacturing, value added, investment and a rising standard of living is Mauritius (a country with many policies diverging from adjustment). Although it dropped slightly in the 1990s, the percentage of employment in manufacturing is similar to Malaysia. The standard of living of the population increased on average by 58% over the decade. Botswana has also showed some improvements in manufacturing although it remains a small percentage of the GDP. The story of Botswana (a country never agreeing to an adjustment program) of course must focus on diamonds (they produce roughly 30% of the world’s total), a resource well managed for a rather small population (1.5 million).

Table Three

Manufacturing, Accumulation and GNP/capita in Select Sub-Saharan African Countries and Malaysia

Country	Year	Man. Empl. (,000)	Popul. (M)	Man. Empl. /Pop	MVA /*cap ind.	MVA/ GDP %**	Gross Cap. Form.	GNP /Cap. $
Tanzania	1990	127.3	26.1	.5%	100	9	26	190
	1999	139.6	32.9	.4	94	7	17	270
Senegal	1991	30.2	7.51	.4	100	13	14	720
	2000	21.6	9.53	.2	113	18	20	490
Malawi	1986	37.9	7.4	.5	100	19	23	190
	1998	40.2	10.1	.4	66	13	11	160
Mozamb	1991	70.7	14.4	.5	100	10	16	170
	2000	31.7	17.7	.2	164	12	42	210
Cameroon	1991	63.2	11.8	.5	100	15	18	970
	1999	52.7	14.6	.4	88	11	18	580
Zimbabwe	1991	205.4	10.0	2.5	100	23	17	920
	2001	177.5	12.8	1.4	89	14	8	480
S. Africa	1991	1484.0	35.9	4.1	100	24	20	2890
	2000	1306.8	42.8	3.1	75	19	19	2820
Kenya	1991	188.9	24.3	.8	100	12	20	370
	2000	217.9	30.0	.7	94	13	13	350
Ethiopia	1992	82.6	54.8	.2	100	8	12	160
	2001	93.5	65.8	.1	82	7	18	100
Mauritius	1991	117.4	1.1	10.6	100	25	31	2430
	2000	114.5	1.2	9.5	151	23	24	3830
Botswana	1991	25.8	1.3	2.0	100	5	37	2730
	2000	29.9	1.7	1.8	131	4	22	3100
Malaysia	1990	830.7	17.9	4.6	100	24	32	2320
	2000	2125.0	23.0	9.3	217	31	29	3330

*For years 1990 and 2000. All data from 2000 UNIDO except S. Africa, Mozambique and Malaysia which are calculated from World Bank data.

**Figures for last three columns are for years 1990 and 2001.

(Source: UNIDO, various years, 2004; ILO (2004); World Bank, 2003c, 20003d).

Table Four shows how rapidly SSA is falling behind other regions of the world both in terms of MVA/capita and GDP/capita during the 1990s. The index below sets the level of per capita values in 1990 at 100 and compares the relative position of the regions in 2000 and 2001. The most dramatic decline in per capita MVA is relative to East Asia and the Pacific where SSA fell behind by nearly 70% over the decade. However the declines relative to South Asia, low and middle income countries and the world levels were also quite dramatic ranging from 43 to 49%. Not surprisingly the per capita GDP also fell dramatically compared to all regions and to global levels with the worst relative to the two regions in Asia which have demonstrated higher levels of MVA.

Table Four

SSA in Comparative Perspective in the 1990s

Ratios of Manuf./capita and GDP/capita

SSA/Region	Year	Ratio Per Capita MVA 1990=100	Year	Ratio GDP Per Capita 1990=100
East Asia and Pacific	2000	31.4	2001	54.1
South Asia	2000	51.8	2001	47.0
Low and Middle Income Countries	2000	50.8	2001	75.0
World	2000	57.0	2001	57.3

(Source: Calculated from data from various World Bank sources)

Given these dramatic statistics how can one begin to reverse the malaise in manufacturing and encourage the employment and accumulation that will lead to poverty reduction in SSA? What did Asian countries do differently? How does it compare to the orthodox policies imposed by the World Bank and IMF? This can only be discussed briefly in the remaining part of the paper.

Weaknesses of Manufacturing under Adjustment and the Alternative Approach

At the heart of Asian development has been a thriving manufacturing sector with considerable export capacity. For the reasons discussed above, it is unlikely that significant poverty reduction will be possible in Africa without a considerable focus on manufacturing. However, during the period of adjustment the manufacturing sector has faired poorly in Africa as we can see in the tables above. More generally, there have been declines in the rates of growth of manufacturing value added, manufacturing employment and labor productivity, little technological transfer as indicated by the ratio of imported machinery and transport equipment relative to total imports, a weakening of industrial non-diversification and stagnancy in investment levels (Noorbakhsh and Paloni 2000). In 1987 manufactured goods were around 12% of total exports (excluding S. Africa) (World Bank, 1989). By 2001, the figure had fallen to 9.1% (World Bank, 2003c).

The manufacturing sector has done poorly under adjustment due to the rather flawed nature of its policies. The logic behind adjustment as it influences industry is that the devaluation of currencies, the liberalization of import constraints and the raising of interest rates to real positive levels will induce greater efficiency in the sector, more labor-intensive production, utilize more local raw materials and encourage the country to more closely align with their comparative advantage. The resulting prosperity and growth in this sector will also contribute to stabilization by improving the balance of payments (exports will rise and imports will diminish).

Adjustment has not worked as expected because the real world of manufacturing rather diverges from the imaginary one living inside the neoclassical economic mind that inspired structural adjustment. In that world, competitive firms, operating with complete access to and information on all technology, select the most efficient choices based on the market generated vector of input and output prices which perfectly reflect their scarcity value. Equipment is purchased off the shelves without any impediments. State intervention is the only source that can disrupt the free flow of capital and technology.

The actual world of manufacturing in Africa looks nothing like the putative one embedded in adjustment. Management and labor skills are in short supply, finance is difficult and very expensive to access, information is costly, relations between firms are not well developed, technology is difficult to obtain and very expensive to use, transaction costs are exorbitant, public goods are poorly formed and generally eroded under adjustment, property rights are not always clearly demarcated, product quality is poor and not standardized and so on. Opening up industries to the full competition of international markets will not lead to the projected outcome when institutions and capacities are so intrinsically weak.

Based on the experience in Asian countries, the industrial sector needs nurturing conditions to expand and develop. The starting point should be the creation of a framework for discussion and interaction between the state and the private sector. The aim would be to jointly identify potential areas of growth, resources and factors, constraints, and strategies needed to support the creation of new industry. At this time, virtually no

African country has in place mechanisms for making an effective long-term strategy. Most countries focus on meeting donor generated largely macroeconomic financial targets. Although rather scarce, relations between the private and public sector have often been based on traditional patterns of paternalism, rent seeking and lobbying. This needs to change through a transparent process of dialogue and participation. The focal point of the dialogue should be to choose strategic industrial needs, and to develop plans to meet those needs. The starting point should be to identify a few priority areas in industry and manufacturing with the potential for domestic and foreign investment, employment generation, domestic and external markets and significant backward and forward linkages.

Of particular importance, at this point, is to upgrade the ability of the state to intervene in support of industry and manufacturing and to assist the private sector to respond to new opportunities such as the reduction of trade barriers in developed countries. The approach should be aimed at an institutionally-centric strategy aimed at transforming the industrial sector by creating new norms, incentives, regulations, capacities and organizations. In the industrial context, capacities focus on supply-side factors such as entrepreneurship, skills and technological capabilities. Incentives focus on increasing the motivation and the means to undertake new activities. Norms are habits of thought that arise from social esteem and sanctions. They involve rules of thumb and the development of common mental constructs that promote trust between players to reduce transaction costs and encourage industrial clusters and networks. Regulations deal with creating the legal boundaries that help set the rules of operation of companies. Organizations are legally sanctioned structures that concatenate groups of people with defined common rules and purposes. States in Asia undertook a variety of strategies to build these five dimensions of institutions in support of manufacturing accumulation, employment generation and ultimately poverty reducing growth and development.

Take the example of incentives for increasing industrial exports. Governments were able to spur industrial activity by using reductions in corporate and private income taxes; tariff exemptions and tax rebates on materials imported for the production of exports; financing of imports needed for producing exports; business tax exemptions; accelerated depreciation allowances; creation of various reserve funds; subsidized interest rates to promote export industries and to encourage firms to enter into exporting; foreign currency loans to finance exports on long-term credits; various export-import link system; differential treatment of traders based on export performance; export insurance etc. (Stein, 1995).

Conclusions

The paper began with a review of the dramatic rise of the absolute number of people living in poverty in SSA. In the 1990s, by the World Bank's own measure, there were 74 million additional people living under one dollar/day and constituted 50% of the population. Using somewhat different methodology, UNCTAD estimated the percentage under one dollar/day at around 65% of the total population in SSA in 1999.

Following this statistical survey, the paper examines the "new" World Bank and IMF strategy to reverse poverty in SSA. The five core principles (country driven; results oriented aimed at the poor; comprehensive; partnership oriented; and a long-term perspective for poverty reduction) of the new poverty reduction strategies were critically evaluated relative to the experience and content of various SSA country PRSPs. First, given the lack of serious parliamentary input, the rather perfunctory nature of the participation from the broader population and the World Bank and IMF role in rejecting drafts of the proposed documents, the PRSPs have been hardly country driven.

Second, the wide divergence of the content of typical PRSPs and the wishes of the poor contained in the Bank's own "Voices of the Poor" project is hardly an affirmation that the results are aimed at the poor. Third, there is little evidence that the PRSPS are particularly comprehensive in recognizing the multidimensional nature of poverty given the close correspondence between the content of PRSPs and the same type of adjustment policies used with such problematic consequences for twenty years in SSA. Fourth, the notion that there is a true "partnership" between the Bank and recipient countries rather strains credibility given the rather close correspondence between the PRSPs and the content of World Bank country assistance programs (which often predated the PRSPs).

Formal sector employment and accumulation have been associated with virtually every example of significant poverty reduction in Asian countries. The paper provides evidence of the falling absolute and relative levels of manufacturing employment in a selection of SSA countries during the 1990s. Given the complete lack of any strategy for generating accumulation and employment in PRSPs, there is little or no support for the notion that PRSPs will somehow reverse the growing poverty levels in SSA. The last section of the paper points to a rather different strategy which would be aimed at carefully fostering state supported manufacturing activities in SSA.

Given the rather disappointing experience with PRSPs and the apparent similarities to the rather failed strategies of the past two decades, what are the PRSPs all about? As Craig and Porter (2003) have suggested it represents an extension of the "Third Way" approach to neo-liberalism. This has been a term used to characterize the Tony Blair regime in the UK. Ideologically inclusive terminology like poverty reduction, partnership, ownership and the participation of NGO's as representative of civil society is used to "re-brand" and "respin" the same neo-liberal policies to create a new "ideological shell" for neo-liberalism. In our many interviews in the Ministry of Finance in Tanzania we kept hearing the mantra that macrostabilization reduces poverty rather than the opposite which is closer to the experience of many African countries.

Ownership, an important part of the new lexicon of the international financial agencies (and yet another term borrowed from neo-classical economic notions of property rights) is a central aim of the PRSPs. It can be seen as having two dimensions one of possession and one which is largely psychological in the sense of the perception of ownership. For true ownership one needs both dimensions and the empowerment that is associated with the construct.

Stewart and Wang (2003) ask in the title of their paper do PRSPs empower countries or is it the other way around. They conclude "the PRSP process to date has not empowered developing countries and disempowered the World Bank. It may have changed perceptions and consequently national ownership from this perspective. If so it would appear to have actually helped empower the World Bank, by increasing the effectiveness of programs through raising national enthusiasm for them and increasing the perception they are homegrown strategies. (pp.27-28)"

Ultimately, however, reality has a way of creeping under any ideological veil as peoples' lives show few palpable improvements. Like the SAPs before them, PRSPs will become reviled in the streets of African cities and the arrival of the IMF and World Banks team will generate the same fear and trepidations despite their claims as the born-again saviors of the poor and dispossessed.

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