The World Bank, Second Generation Reform, and Development in Africa

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Introduction

The World Bank (from hereon, 'the Bank') has been a key actor in sub-Saharan Africa's post-colonial history. Although the Bank has not been all-powerful or all-pervasive, it has been a significant force in many post-colonial national development trajectories. The history of the Bank's involvement in Africa did not start with structural adjustment in the 1980s; rather it began in the late colonial period (from 1950), when the notion of 'development' replaced that of 'civilisation', and colonial powers became anxious about the increasing power of radical nationalism on the continent. As we shall see below, the Bank subsequently engaged with African political economies through a number of phases, right up to the present day when it is difficult to imagine African politics without the statements of the Bank resident representatives, the regular trips of ministers of finance to consultative group meetings chaired by the Bank, and the ongoing horse trading that revolves around structural adjustment and conditionalities. Most recently, the 'big issues' for the Bank are pro-poor growth, and the Highly Indebted Poor Countries scheme. There is no reason to imagine that the close relationship between African countries and this International Finance Institution will not continue for the foreseeable future.

If one can say that the Bank has been important for Africa, one can also note that *Africa has been important for the Bank*. More than any other region of the world, sub-Saharan Africa (SSA) has served as a focal point in the Bank's thinking about the theory and practice of 'development'. African states faced the most pressing challenges after decolonisation, and the Bank's thinking evolved with the fortunes that states—and the Bank itself—had in meeting these challenges. Integrated Rural Development (IRD) might have been a doctrine that the Bank articulated in the wake of the defeat of the US in Vietnam, but it also became the orthodoxy of Bank project funding throughout Africa during the McNamara presidency (Williams, 1981). Perhaps the key Bank document to signify the shift towards neo-liberalism as Bank praxis was the *Accelerated Development in Sub-Saharan Africa: an Agenda to Action*, commonly known as the Berg Report (World Bank, 1981). The

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Report reads as a critique of the African state, and an entreaty towards the market. It is also the case that 'good governance', the Bank's key 'development doctrine' during the recent past, emerged centrally from the Bank's recent experiences in Africa. Finally, and more prosaically, one should recognise that the 'soft' institution within the World Bank family, the International Development Association (IDA), lends the lion's share of its allocations to SSA. If Africa escapes the debt trap and develops in a sustainable fashion, the IDA would lose its central reason for existence, and the Bank's power would be weakened significantly.

But, to note the constant involvement of the Bank in African development is not to portray that involvement as static or ahistoric. As we shall see, a great deal has changed, and the Bank has been active in reinventing its reasons and rationales for lending. Most recently—and with a rare reference to activities in a previous period—the Bank has elaborated the notion of Second Generation Reform (SGR). SGR is based on an image of succeeding one stage with another. The two stages are different but interdependent, or mutually constitutive. In this sense, it is proper to begin with a brief sketch of what constitutes the First Generation Reform (FGR).

FGR is more commonly known as economic liberalisation. A familiar menu will already have suggested itself here: devaluation, the removal of all price controls and subsidies, the abolition of state-owned marketing boards, privatisation, the removal of quotas and reduction of tariffs for imports and exports, a radical reduction in deficit financing, and the introduction of user fees for social services. In sum: rolling back the state and putting faith in the market.

SGR constitutes a different set of policies based on the understanding of the fundamental soundness of the previous 'generation': institutional capacity building; civil service (or more broadly public service) reform; the introduction of new forms of information technology, finance management, and human resource management; and the facilitation of public participation in policy monitoring, evaluation, and development. SGR is closely associated with the more normatively-charged notion of 'good governance'. The key point to note is that—to some extent—SGR presents a renewed focus on the state. The state shifts from acting as the venal, rent-seeking Leviathan—source of all problems—to the key institution to ensure that the market functions properly. The institutional stability of the state is now the guarantor of the institutional stability and health of the market. Perhaps the key policy area to illustrate the change in focus on the state between FGR and

SGR is privatisation. Where privatisation took place during the FGR period, the priority was to divest the state of resources in whatever fashion possible (Craig, 2000). This meant that politically-connected elites often enriched themselves greatly at the expense of the state, and for that matter the general well being. Privatisation matters also during SGR, but so does the institutional context: the divestment process must be managed by the appropriate public institutions; more care should be taken in preparing state companies for sale; and states should ensure that private owners adhere to some form of employment/investment/performance contract.

The purpose of this article is to investigate the extent to which SGR and good governance constitute a new disposition in Bank thinking and strategy, or a new state of affairs between creditor institutions and debtor states in SSA. The article will draw on case studies where possible, taking especial consideration of Tanzania's own history of engagement with the Bank. In a period when the Bank appears to be producing new initiatives of one kind or another at an increasing intensity—governance, pro-poor growth, the 'knowledge bank', the involvement of NGOs in the Bank's Panel of Inspection, to name the most prominent—it is important to try and reach an understanding of how much has changed in the relationship between the Bank and indebted African states.

The article also serves to contribute to a clarification of a confusion of buzzwords and claims concerning the rise and fall of development paradigms. SGR has been analysed as a key component in a profound shift towards a 'new paradigm for development' (Joseph Stiglitz, former Chief Economist with the World Bank, quoted in Standing (2000:738). In keeping with this notion of paradigmatic change, Krugman (1995) asserts that the (old) Washington Consensus died during the 1990s, and this has led many journalists and 'pundits' (Naim, 2000) to speak of a 'post-Washington consensus', as a kind of sea-change in intellectual thinking about the nature of development and the role of lending institutions such as the Bank. More serious analysts have questioned the extent to which recent changes in conceptualisations of development represent a paradigm shift (Gore, 2000); but few would deny that the discourse of substantial change has gained a real presence, to the extent that Fine (1999:2) asserts that "even before the old (Washington) consensus has been decently buried, the pretender to its throne is already grabbing at the crown in a palace revolution". In the light of this, our consideration of the Bank and SGR in Africa will throw light on considerations of the scope and nature of the change in development

thinking supposedly reflected in the idea of a change in paradigms from a Washington to a post-Washington consensus.

It is not immediately obvious how one should chart the scope of change in the Bank's strategies. An obvious starting point is to take a historical perspective, in order to highlight the important ruptures and define them against longer-term continuities. Most analysts of large institutions recognise that the latter gain a 'structural' characteristic as routines, cultures, and bureaucratic rationales become embedded and take on their own impetus, either ignoring or assimilating changes in the broader social environment. But institutions do not exist in a vacuum: rather, they interact with a broader political economy, which also displays its share of continuity and change. These comments lead us to recognise a complex state of affairs: the Bank as an institution (a particularly large and powerful one) has its own interests as an organisation, but it is also strongly influenced by forces outside its control. Furthermore, both within and outside, the Bank structures and agencies interact to produce an interplay between continuity and change.

These points highlight the importance of evaluating the Bank's strategies in terms of its interactions with a broader political economy, and that is what this article will do. But the study does not provide us with an easy historical method. Rather, it portrays change as complex and multi-faceted. Can we resolve the difficulties produced by recognition of the complexity of action involved in studying an institution's interactions within a political economy? The approach taken here is to analyse the Bank's strategies and their changes over time at a 'macro' level that allows generalisation. The next section will show how, during the post Second World War era, the Bank has indeed passed through a series of discernible regimes in respect to its relations with SSA. Although a fine-grained analysis might reveal how these periods are actually 'blurred' at the edges—transgressed by more specific institutional continuities—most would recognise that there is a real substance to these historical characterisations. Consequently, they will provide the historical markers for our consideration of the historical significance of SGR in contemporary Bank action.

The World Bank: A Political Economy of Change

The Fundamentals of the World Bank

Before we engage with a portrayal of changes in the Bank's operations and discourse, we should note two foundational premises that establish the essence of what the Bank is. Firstly, it has a mandate to 'promote private foreign investment' and development through the private sector more generally (Articles of Agreement, in Shihata, 1991:62). The details of how the Bank has pursued its pro-international capital agenda are detailed in Payer's well-known study (Payer, 1982, esp. pp. 19-22). Thus, the Bank's fundamental design is to expand market-based social relations through concessional lending in the faith that this process will increase productivity and economic growth.

Secondly, the Bank is dominated by the American state (Ascher, 1992; Wade, 1996; Thacker, 1999). The Bank's president is often from Wall Street and always an American. The Bank's offices are in Washington. The US's contribution quota gives it the largest proportion of votes in the Executive Committee. Both of these fundamentals—the active promotion of private capital and the 'over-determination' of Bank action by the US state—remain as fairly stable underlying traits during the entire period from the Bank's creation to the present day. With these aspects in mind, we can now analyse the Bank's history of continuity and change within the global political economy.

The 1960s to 1973: Developmentalism and Embedded Liberalism

For SSA, the 1960s were—comparatively speaking—the decade of promised development. In the morass of retrospective critiques of the post-colonial states, it is often forgotten that African economies generally grew at relatively high percentage rates during the 1960s. A key feature of almost all post-colonial economies was development planning. Development economists, state planners, and politicians all believed that strong, effective state action was the key to development. Whether a government declared itself communist or capitalist, national plans—of one kind or another—became the guiding faith of public action, often based on indicative investment and output targets, and large infrastructural or other project investments. Furthermore, state-led development constituted the main claim to legitimacy of governments which faced popular expectations that, once the colonial oppressor had left, ordinary people's lives would improve. Thus,

'developmentalism' was not just an economic strategy, but also a political ideology, allowing governments to stake a claim to legitimacy.

This state of affairs was integrated into the broader contours of the global political economy. The 1960s constituted a period of unprecedented high and stable capitalist expansion (a 'Golden Age'), and an intensification of the internationalisation (not globalisation) of markets. Ruggie (1982) characterises this period as one of *embedded liberalism*. Embedded liberalism refers to the way in which an expanding liberal international economy was 'embedded' in domestic national societies. Forms of protectionism and social service infrastructure provided the conduits through which states legitimised a liberal global order within specific nation-states, all under the stabilising hegemonic influence of the United States. The international market was regulated to ensure domestic stability: currencies were tied to gold reserves, and the International Monetary Fund (IMF) provided short-term finance to states to correct short-term exchange rate imbalances. In fact, market regulation was the *essence* of the Bretton Woods Agreement (Helleiner, 1996:25 *et. seq.*), which gave birth to the Bank and IMF.

Drawing on Ruggie, we can bear in mind a key feature of the 1960s: it was unthinkable that markets should be free (Ruggie, 1982:396); rather, they should be regulated to ensure that societies enjoy social legitimacy within individual nation-states. This legitimacy manifested itself in SSA principally through the ideology of developmentalism: if states could plan, regulate, and invest in the correct manner, economies would grow and political stability would be assured. This was the common sense of a generation of development economists and modernisation theorists.

Just as the IMF acted as an international organisation to stabilise this order amongst the key currencies, the Bank emerged to play a key role in the southern hemisphere. The Bank was heavily involved—mainly through concessional project lending—in supporting large-scale infrastructural investment in post-colonial states that were planning rapid economic growth. Development was 'done' through central state institutions: rural marketing boards, ministries of planning or industrialisation, and so on. In this age of neo-liberal 'common sense'—just as it was not always the case that everyone thought that the market should be free—it was not always considered that high levels of indebtedness were economically damaging. High levels of debt might be a sign of an expanding economy: debt-led infrastructural investment would create the conditions for increased output, and debt would

be paid off within the period of maturity. The 1960s was a decade of 'development optimism' in which international lending was a mechanism to allow the 'Third World' to 'catch up' with the West. Indeed, during this period, the Bank paid scant attention to capacity to repay debt, and concerned itself mainly with increasing levels of lending (Caufield, 1998:92-98).

More specifically, the Bank lending manifested itself in a raft of large-scale, state-led development projects: dams, roads, rails, electricity infrastructure, port projects, irrigation schemes, and large-scale agrarian mechanisation. For example, the Bank lent and supported Tanzania's statist modernisation projects to the tune of $1bn., according to a confidential Bank report (*Financial Times,* 27th July, 1994).

In sum, the reflection of the West's embedded liberalism during the 1960s was debt-led development in much of the post-colonial world, including SSA. The Bank was a key player in this global regime, supporting post-colonial state strategies of planning and investing to promote economic growth in the name of national development and state legitimacy. Ruggie dates the decline of this regime from 1971, when the Gold Standard was abandoned by the United States, but we will take our point of departure as 1973.

1973-1979: Debt and no Development

In 1973, the first hike in oil prices took place. This had a profound impact on the structuring of the global political economy. The global price of oil rose from $3.22 per barrel in 1973 to $34 per barrel in 1982. As most African states were oil importers, this created a drain on their external accounts: from 1973 to 1982, Africa's external balance of trade moved from a small surplus (selling more than buying on the world market) to a $6bn. deficit (Singh, 1986:104). The oil price hike exacerbated Africa's long-term vulnerabilities: for example, in 1960 one ton of sugar could purchase 6.3 tons of oil; in 1982 the same ton of sugar could only purchase 0.7 tons of oil. Thus, SSA's development prospects were profoundly dampened.

But this did not lead to a strong change in direction concerning development strategies. States continued along the same path as set out briefly above: resorting to international multilateral creditors—mainly the World Bank—and to the printing presses of their national banks. It was during this period that it became apparent that the post-colonial regime of accumulation contained serious contradictions. Governing elites appeared in a less appealing light: authoritarian, concerned only with prestigious large-scale investments and far less with the modest concerns of workers and peasants,

overly-bureaucratic, obsessed with petty regulations, and corrupt. The legitimacy afforded by economic growth evaporated as economies slowed and projects failed. Just as states were prepared to continue with the strategies of large-scale planning and investment, so was the Bank willing to continue lending for large-scale projects, paying very little attention to the issue of efficiency or returns on investment loans, as the Wapenhans Report (1993) later discovered (Danaher, 1994). Increased lending was also integrated into an increased concern with poverty alleviation by the Bank, leading to increased funding for basic needs and credit for 'small farmers'.

Again, the Bank's approach was partly a response to a broader set of changes in the global political economy. Changes in patterns of private finance — originating from the growth of Eurodollar markets and the rise of 'petrodollars' in the Middle East—produced strong incentives to lend private finance to post-colonial states. The Bank had to maintain a sense of identity and purpose as an international lender during this period of increased private flows to the southern hemisphere (mainly Latin America). The result is clearly summarised by Gibbon (1992:196) as follows: "Its [the World Bank's] own status as a major provider of loans could only be preserved by greatly raised levels of lending". In other words, the Bank followed the trend in private finance to increase lending to post-colonial states, despite the economic slowdown in SSA, and the increasingly shaky state of the 1960s development model.

The Bank also played a different role in managing economic slow-down. Cheryl Payer (1991) argues that Bank project lending during this period constituted a kind of international demand creation for Western (and more specifically American) transnational corporations. Loans boosted demand in the Third World generally for Western goods and capital. This allowed companies' access to overseas markets at a time when aggregate levels of demand were levelling off in the domestic economy. The increasing concern over levels of debt and their sustainability in the early 1970s were counterbalanced by steady and ongoing loans by official governmental and multilateral creditors, eager to maintain levels of demand in the Third World for Western exports and markets for Foreign Direct Investment (*ibid*: 59). From 1969 to 1973, the Bank lent double the amount it had in the preceding five years (Kapur, Lewis, & Webb, 1997:1225).

1979-Present: the Era of Structural Adjustment

By the time of the second OPEC oil price hike in 1979, the developmental project was in tatters. Levels of debt had become sufficiently high to make it difficult to imagine how some states could *ever* escape from indebtedness. The international economy, which had expanded constantly during the 1960s, was now clearly in recession. The tensions of the previous period were brought to a conclusion: the Bank could no longer continue project lending to political economies that were reaching economic and social crisis. The result was a change in the Bank's strategy, starkly presented in the Berg Report (World Bank, 1981), and closely integrated into the rise of neo-liberalism after 1979 in the West (Stern & Ferreira, 1997:537 *et. seq.*). Neo-liberal economic doctrine is familiar to all as the 'common sense' of our times: a faith in the invisible hand of the free market, a hostility to state involvement in the economy beyond a sparse regulatory and legislative function, and a belief in the basic ontology of utility maximising rational individuals.

Leaving aside the merits or otherwise of this bundle of convictions, we should place the Bank's changing strategies in this conjuncture. The Berg Report set out a critique of the post-colonial state as a bloated, rent-seeking set of institutions which distorted price mechanisms to feather the nests of political elites. The solution was, in simple terms: less state, more market. This over-arching new agenda was implemented through the creation of Structural Adjustment Lending (SAL) in 1980. Moving from project support to support for macro-economic restructuring, the Bank lent on the condition that states would implement the new orthodoxies of supply side economics: low rates of inflation, devaluation, high rates of interest, divestment of state property, an economy open to global markets and capital, and a general reduction in public expenditure. Again, one can note the close association between the logic of SAL and changes in global political economy: the 'globalisation' of the 1980s onwards was essentially the universalisation of the neo-liberal project (see, *inter alia*, Scholte, 2000).

SAL funded Structural Adjustment Programmes (SAPs) based in the key macro-economic policy areas set out above, which brings us back essentially to what was defined as first generation reform. SAPs were effected through the mechanism of *conditionality*: credit would only be forthcoming if governments implemented the correct policies. This produced a very different relationship between the Bank and indebted states to that of the debt-led development model. The conditionality mechanism created considerable tensions between the governing elites and the Bank. In Tanzania, the tension between conditionality and the government was most clear in Nyerere's resistance to the devaluation of the Tsh, manifested in his broadsides

against the IMF (or the 'International Ministry of Finance', as he dubbed it). For the government of Tanzania during the 1980s, conditionality was only partly about issues of good or bad policy. It was also about sovereignty: in other words, *who* had the right to make policy (whether good or bad).

Similar concerns existed throughout Africa, as almost all states signed SAPs with the Bank, and equivalents with the increasingly prominent IMF, to the extent that the insightful overview by Mosley *et. al.* (1995) of the World Bank's adjustment lending highlighted the high levels of policy 'slippage' whereby states would find ways to avoid implementing components of SAP. The so-called SAP riots (Walton & Seddon, 1994) in some cities, most famously in Zambia in 1987, only served to sharpen the tensions between states and the Bank. Finally, it is vital to note that adjustment did not usher in any clear signs of economic recovery in SSA (Mosley, Weeks, 1993; Schatz, 1994). Globally, between 1980 and 1989, 241 Bank-funded structural adjustment programmes were implemented in 36 countries, but three quarters of these countries (in Africa, Asia, and Latin America) experienced marked falls in *per capita* income levels over the same period (*Financial Times,* 26th July, 1994).

Thus, the 1980s were turbulent years: rapid economic reform created tensions between debtor states and the Bank, which the Bank—bound by its Articles of Agreement—could not address directly; economic liberalisation during global recession and increasing instability in international markets did not produce strong indicators of recovery. Paradoxically, one constant trend—counter-intuitive to the neo-liberal agenda—was that rates of indebtedness *continued to rise* for most SSA countries. This raised the question as to whether SAP was a solution or part of the problem (Williams, 1994). In summary, we can identify a broad distinction between the Bank's thinking and strategy, and the broader political economy within which the Bank works as shown in Table 1.

Table 1: World Bank Development Strategy and Global Political Economy

Period	World Bank	Global Context
1960-1973	Statism and Developmentalism	Embedded Liberalism
1973-1979	Statism and Developmentalism	End of the 'Golden Age', rising debt
1979-	Structural Adjustment and Conditionality	Neo-liberalism

The question which follows is: how would one characterise the rise of SGA and governance issues within this schema? This is the subject of the next section, but it is worth noting here that one cannot simply 'read off' a Bank strategy from a change in global structures: the Bank's thinking did not change fundamentally during the second period (1973-1979), despite considerable change in global markets incumbent on the end of the Gold Standard and the effects of the oil price hike of 1973. In contrast, the Bank (especially under President Clausen) became a key actor in *shaping* (not just reflecting) the neo-liberal content of globalised policy making in the 1980s.

Early 1990s: Second Generation Reform and a New Era?

Charting the Change from First to Second Generation Reform

Clearly, SGR constitutes an innovation in the Bank strategy and thinking. What is less clear is how we can evaluate and calibrate this innovation. As with the rest of the article, our engagement with this issue will come from a consideration of the longer historical trajectory, and the relation of new forms of thinking about reforms within political economy. In the first place, some key contextual influences are important to note.

1. *SAP has 'come of age'*. Originally, SAP was to be a short-term expedient, projected to last for five years (Caufield, 1998:146), but now it has enjoyed a longer reign than any development paradigm (Gibbon, 1995:140). By the early 1990s, 29 African states had undergone at least 5 years of continuous adjustment (World Bank, 1994a: 36, Table 1.3); and there were few signs of adjustment coming to any form of conclusion. Thus, SAP developed from conjunctural necessity (associated with 'shock therapy') to something more akin to a regime of global management. As such, SAP became an intimate and integrated part of 'statehood'. Managing the 'two constituencies' of domestic citizenries and Washington boardrooms (Mkandawire, 1999) became a rule, not an exception. As a result, SAP is part of African political history.

2. *The challenge of Southeast Asia*. The Bank could not ignore the success of Southeast Asia. It seemed that the success of states such as South Korea was based not on neo-liberal fundamentals, or on 'getting the prices right', but on strong state intervention, and, in Alice Amsden's influential phrase, 'getting the prices wrong'. The question this raised could not be more important: does the success of Southeast Asian

developmental states demonstrate that the Bank has been forcing the *wrong diagnosis* on SSA's indebted states? The Bank's response, filtered through its own domination by the United States (Wade, 1996), was to publish a report on Southeast Asia (World Bank, 1993), and gradually 'bring the state back in' to its policy strategies during the 1990s.

As many states implemented one SAP after another, it became clear that adjustment was not merely about economic reform through the mechanism of conditionality. SAP—and the broader involvement of external agencies that it implied—reconfigured the political form of the state. In a sense—recalling the images suggested by Ruggie—SAP became 'embedded' in the political tapestry of post-colonial African states. This fact, in conjunction with the increasing attention given to the nature of the state by the Southeast Asian 'tigers', produced a context in which the Bank could elaborate a framework and strategy of reform more closely focused on the institutions and processes of state. The result was a strategy of SGR within a framework of good governance.

SGR, Governance, and African States

Of course, the broad context of the Bank action was mediated and filtered through its engagement in African states. In this sense, it is worth noting the ways in which the Bank's experiences with SAP and first generation reform led it to re-focus its attention on the role of the state, because it was its 'bringing the state back in' that was the prelude to SGR. There were two key processes from the SAP period that are worth mentioning here. *Firstly*, it was clear that SAP was not working. Rolling back the state did not automatically produce thriving and productive markets in its wake. Economies were not recovering, forms of illicit economic activity (and corruption) were emerging, and rates of foreign direct investment were not increasing markedly despite the opening up of African economies (Collier, 1999). Consequently, the Bank paid increasing attention to the institutionalisation of markets, and thus the state—pushed to the sidelines as rent seeker—re-entered the analytical frame as a 'midwife' to the re-birth of the market economy. *Secondly*, it became apparent that a different kind of politics was required for reforms that were not merely 'stroke of the pen' changes. Much of the first generation reform involved quick, centralised, executive decisions concerning, for example, the deregulation of exchange rates, the abolition of subsidies, or the removal of quotas and tariffs. In order to function, SGR demanded a more complex institutionalisation.

So far, we have identified a general context of change which the Bank would have to engage with as the 1990s progressed; we have also identified key dynamics from the SAP period which 'pushed' for change in the Bank's approach to reforming African debtor states. It was within this context that the good governance agenda was born. In essence, the reform priorities encapsulated in the notion of good governance are: transparency, accountability, stronger rule of law, participation in decision-making by non-state actors, and reduced military expenditure (World Bank, 1994b)

One can see immediately how the essence of governance is to produce political processes that resemble and support the free market. But this is just to say that SGR constitutes the deepening or extension of the existing neo-liberal agenda. One can imagine how the technicians and administrators of the Bank see the roll back of the state as the victory of the market throughout society, and subsequently address themselves as to how the market might make inroads into the state itself. SGR would hardly be an innovation from the SAP period, but rather a consolidation of a logic set out a decade earlier. In one sense, this point is correct; in another sense, it is not.

In reviewing key Bank documents published during the SGR period, some authors have identified how the Bank's 'new thinking' is actually premised on the acceptance of the fundamentals set out in the Berg Report. Loxley reviews *Adjustment in Africa: Reforms, Results, and the Road Ahead* (World Bank, 1994) and finds that the study is a "throwback to the ideological evangelism of the early 1980s" (Loxley, 1994:266). Analysing the Bank's *The State in a Changing World* (World Bank, 1997), Moore finds that the report "is no radical departure from neo-liberal development principles" (Moore, 1999:61). Most recently, Watkins argues that the latest World Development Report "in the space of six months... was transformed from a statement in favour of growth with equity into a *restatement of the old Washington consensus* of the 1980s" (Watkins, 2000:190, emphasis added). The key point here is that SGR is based on the ascendance, or victory, of neo-liberal fundamentals. The second generation can only be born if the first generation has reached adulthood, and the relationship between the two is very much a gerontocracy, or rule by the elder generation.

But, it is also the case that SGR takes on board different intellectual influences. The concern with capacity building relates to New Institutional Economics, associated with writers such as Douglass North, and effectively encapsulated in Harriss *et. al.* (1995). Here, markets function only as well as

the institutional sinews within which they are set. Institutional forms can create 'path dependencies' which determine the way markets and other social relations function. The trick here is to 'get the institutions right', not merely 'get the prices right'. Relatedly, SGR integrates an increased concern with information management, an issue close to the heart of Joseph Stiglitz who, as the Bank's chief economist until 2000, worked to push forward a revisionist ('post-Washington consensus') agenda within the Bank. Here, the concern is with information generation and management, as markets can often fail if there are ruptures or significant inequalities in the movement and control of information (Stiglitz, 1999).

In its more boldly academic formulations, this led the Bank to consider the generation of social capital, again keying in with prevailing academic trends (Collier, 1998; Edwards, 1999; Fox, 1997). Thus, governance and SGR draw on theories and fashions that do not sit entirely within the neo-liberal camp. The issue is not just freeing up the market; it is also to provide an appropriate political context for a market economy, based in effective governmental institutions and the efficient management of information. One can see the concrete effects of this in the Bank's (and other donor/creditor's) interest in civil service reform programmes in selected states, one of which is Tanzania, but one could also cite Uganda and Ghana in this respect.

A key development that we can glean from this is that the Bank's reform agenda has gone more deeply into the 'heart' of government. The Bank is now involved in supporting reform in the civil service, or public service more broadly. It funds workshops which aim to inculcate a new ethos of work in the bureaucracy; it holds regular meetings within key ministries to monitor progress; it funds the installation of new frameworks of data management within the state, often based on computerisation; and it funds various monitoring processes based on surveys.

This wide range of 'intimate' interventions could hardly be effected solely through the crude politics of conditionality. In fact, in states where the SGR agenda has strongly established itself, a kind of 'post-conditionality' politics has emerged. The key developments of post-conditionality politics are:

- Credit/grants are not used to *coerce* through threat of withdrawal as much as offered to provide *incentives* for reform.
- The fundamentals of neo-liberal economics are no longer the agenda of the Bank, IMF and others; but of the important components of the

state itself, especially the presidency, ministries of finance, and central banks. As such, the 'us and them' perspective, generated during SAP, is dissolved to some extent.

- Post-conditionality politics is not continent-wide; it is only present in those states that have accepted neo-liberalism, and which have experienced some form of economic regeneration. Examples might be: Uganda, Ghana, Tanzania (after 1995), and Mozambique.
- External agencies become more supportive and flexible with these debtor states, as they become the exemplars of how adjustment can work and be succeeded by a new dispensation. In a word, they become 'showcases'.
- More generally, the Bank has moved from Structural Adjustment Loans to Sectoral Adjustment Loans, supporting institutional reform and capacity building in selected line ministries, commonly education, health, water, and transport.

In sum, we can see how SGR emerges out of new trends in development research, and produces a new form of donor-indebted state politics, which de-emphasises (but does not abandon) the coercive nature of conditionality. But we have also suggested that there are continuities underlying the new agenda. Let us investigate the substance of these continuities further.

The More Things Change, the More They Stay the Same?

As already mentioned, the good governance ideology arrives on the back of unquestioned neo-liberal fundamentals. The issue is not to 'bring the state back in' to regulate the market, but to facilitate its development through reliable political processes, open decision-makings, and the strengthening of the 'rule of law'. In a sense, SGR can be understood as the process of 'locking in' neo-liberal reform which struggled to ascendance throughout the 1980s (Gibbon, 1995:124). But let us take a step back and recall the global context of the 1990s: to what extent does this decade constitute a different political economy for the Bank to operate in?

Neo-liberal globalisation has proceeded apace during the 1990s. The emergence of centrist or leftist administrations in the West (Clinton, Blair, Schroeder, and Jospin) has not challenged ongoing liberalisation, capital mobility, or existing patterns of international investment. Clearly, important changes in the global political economy did take place, but they focused the attention of the Bank, IMF, and others in different regions of the world:

Mexico in 1994, Southeast Asia in 1997, and Russia in 1998. Despite Clinton's Africa Initiative and the UK's Department for International Development renewed thinking and commitment to development in Africa, the continent remained marginal to the flows of global capital. Africa's share of direct foreign investment fell from (just) 3% to 2% over the last thirty years (Zwinga, 1987). In a sense, it was the *lack of a clear economic interest* from the West in Africa that allowed the Bank the room to manoeuvre in elaborating the governance agenda.

Another key continuity is vitally important. Almost all SSA states remain extremely dependent on external funds. For example, in the mid-1990s, NGOs contributed 64% of the running costs of health services in Uganda (Uganda Ministry of Public Service, 1995:4); funding for the Public Service Reform Programme is projected to have 90% of its funding come from donors (Uganda Ministry of Public Service, 1997:85). In 1990, aid constituted 30% of Tanzania's entire GDP (Bigsten *et. al.*, 1999:2-3). Persistent high levels of dependence on external funds casts doubt on the extent to which we can assert that the coercive politics of conditionality has subsided. It would be naïve to imagine that African states embraced the political ethos of good governance out of free will, when only certain reform choices will yield external support and, without external support, reforms are effectively disabled. Decision-makers in African states are all too aware of this powerful context when innovating policy:

> The preparation of a policy paper is important for ministerial fund raising. Due regard to perceived donor preferences will therefore be taken by the ministry in question. It may even request technical assistance to draft the policy. This helps to explain the... observation that many senior officials and ministers do not take an active part in the policy making process. As principals assessing the quality of policy work, they need only ascertain that their subordinate agents help to produce policy papers and plans that attract donor funding. This is a key indicator of a job well done. (Therkildsen, 2000:66)

Therkildsen is speaking of Tanzania in particular, but similar comments could be made of other states as well. Herein lies a key continuity: the power of the Bank and other donors by virtue of the fact that they maintain the finance that allows the state to function in its present form. This is a constant framing feature of the SAP and SGR periods. Ultimately, it is this dependency that allows the Bank and others to involve themselves so closely in the way states work. Innovations in the Bank's thinking take place on the basis of a distinctly 'non-innovative' continuity of institutional

predominance. Levels of external indebtedness in SSA have risen by $30 billion from 1989 to 1992 (*Financial Times*, 27th April 1993).

Conclusion

The previous section has identified a set of continuities and changes that underlie the innovation of SGR. These are presented in Table 2. Can we integrate this tabulation into Table 1, and produce a new period in the Bank's engagement with sub Saharan Africa? The answer appears to be negative: we are still seeing structural adjustment within a neo-liberal global order. Conditionality remains, even if accompanied by the 'carrots' of governance funding.

Table 2: Assessing the Significance of Second Generation Reforms

Continuities	Changes
Neo-liberal global political economy	A concern with institutions and information
High levels of donor dependency	Post conditionality politics
An acceptance of neo liberal 'fundamentals'	'Bringing the state back in'

In any case, extreme donor dependency produces a 'conditionality at one remove' where, as Therkildsen notes, African decision makers *discipline themselves*, anticipating the reactions of donors to different policy initiatives. This is not to ignore the changes that have taken place as a result of the new SGR agenda; but it is to put them in a context that defines them against important enduring relations and structures.

It is not the purpose of this conclusion to argue SSA is 'locked' into a position from which it cannot escape, and that nothing much changes. For Tanzania, recent work on agrarian change and the emergence of new elites (Kiondo, 1994) reveals that Tanzania's political economy is undergoing a complex transformation (Maliyamkono, 1997) which will affect the scope and nature of reform within the state, and politics more generally. Bearing this in minds, one can say that a new paradigm worth celebrating will come when the Bank (and other powerful international organisations for that matter) become accountable to African constituencies, classes, and agencies.

Acknowledgements
The author would like to thank the Department of Political Science and Administration at the University of Dar es Salaam, and the Makerere Institute of Social Research in Kampala for their support during research. A particular debt of gratitude is owed to Dr. Daudi Mukangara for his personal encouragement to write this article for the *African Review*.

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