

Findings



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Sub-Saharan Africa : Improving Institutional and Economic Performance

The institutional crisis affecting economic management in Sub-Saharan Africa (SSA) is a crisis of structural disconnect between formal institutions transplanted from outside and indigenous institutions born of the culture and traditional values of the African past. Building on the findings and recommendations of the new school of institutional economics, the study, *Africa's Management in the 1990s and Beyond : Reconciling Indigenous and Transplanted Institutions (AM90s)* posits that both formal and informal institutions are needed in Africa, but in a more flexible and adapted form. Formal institutions need to be adapted to the local culture/context, in order to build the legitimacy needed for enforceability. Informal institutions, although rooted in local culture, also need to adapt to the changing outside world and challenges. It is through this adaptation that formal and informal institutions can converge -- be reconciled -- and build on each other's strengths, transaction costs reduced and institutional performance maximized. This process for building convergence is at the heart of the institutional reconciliation paradigm proposed by the AM90s research program and calls for a truly participatory and synergistic approach.

This institutional reconciliation is both possible and necessary to make civil services in SSA more service-oriented, develop the private sector, and improve the productivity of African enterprise.

Building a More Service-Oriented Civil Service

Improving Economic Management and Governance. The study identifies best practices illustrating how public administration can be improved through reconciliation of formal and

informal indigenous institutions of the state and civil society. The point of departure should be *Systematic Client Consultation*. Surveys undertaken in Zambia and Ghana show how client satisfaction and stakeholder views can become guiding elements in comprehensive civil service reform intended to promote a shift from a control-oriented bureaucracy to client-oriented service delivery.

Regarding *economic management*, the creation of local institutional enclaves (as opposed to donor-driven, project-related enclaves) with built-in performance-based incentives holds promise as a practical approach to problems of low resource mobilization. The creation and successful operation in Ghana and Uganda of an independent *national revenue secretariat* or authority, insulated from political interference and with improved incentives, to manage tax and customs administration underlines the operational relevance of this approach. However, such enclaves are only staging posts toward a more systematic reform program to tackle adverse institutional and governance issues and other problems of economic mismanagement. The Uganda *Program for Enhancing Ethics, Transparency and Accountability*, and the adaptation by Botswana of the East Asia model of insulating the civil service from patronage and political interference provide good examples of broader institutional governance reforms to improve economic policy-making and management.

With regard to grassroots participation in *influencing the larger policy framework*, The Gambia provides a useful example of a bottom-up and participatory process whereby village-level indigenous groups deliberate national policy options and communicate their preferences in a formalized manner.

In respect of improving *governance* and other *core government functions*, the reconciliation of community-based customary and formal justice in Botswana affords a good illustration of how institutional reconciliation can strengthen the *rule of law*. Citizens can choose between going to the common law court or the customary law court. This however requires ensuring convergence of the goals of formal and informal institutions to ensure that the law fully reflects acceptable societal behavior. Legitimacy and enforceability are thus integrated into the process.

Improving Public Service Delivery. The study describes innovative African experiences for achieving greater quality and efficiency in service delivery as an alternative to the failed formula of the central government as the sole provider of these services. Best practices include contracting out to the local private sector, empowering the local communities, or building a compact between these two and the government. Examples provided in the report include:

- the AGETIP model, applied by West African governments to contract out construction work to private indigenous firms;
- the Groupements NAAM community development movement in Burkina Faso
- the AIDS Support Organization (TASO) launched by women in Uganda;
- the highly successful Bamako Initiative for primary health care, which is being replicated in more than 20 countries;
- the local Gambian and Zimbabwean initiatives in providing health care, which demonstrate successful convergence between the traditional solidarity of indigenous groups and the resources of modern medicine; and

- South African experiences in building tripartite compacts between the state, civil society (with its indigenous institutions), and the private sector to jointly address community-level public service delivery and social problems.

Developing the Indigenous Private Sector

Case-studies of African entrepreneurs who successfully graduated from microenterprises to formal, modern enterprises point to the necessity of *enracinement* (cultural rootedness) and *ouverture* (openness) and leadership traits grounded in both traditional cultural values and the basic tenets of corporate management. *Capacity building* through operational linkages or twinning arrangements with large, modern enterprises working in the same sector also played a key role in the African entrepreneurs' graduation process. The K-MAP experience in Kenya, in which an organization was specifically created to facilitate linkages between large- and small-scale enterprises through counselling, workshop training and advisory services, affords a good example of how such linkage/twinning could be systematized. Partnerships and co-operative ventures could also be fostered between local small enterprises and foreign and immigrant entrepreneurs (e.g. the Asians in East Africa and the Lebanese in West Africa).

Most African entrepreneurs feel that the major obstacle to growth is *the missing institutional middle in financial intermediation*. The review of Mali's experience with the use of Groupes D'Interets Economiques (GIEs) provides interesting insights into how to utilize group-based financial institutions to facilitate access to credit for indigenous microenterprises while minimizing the risk of default on loans.

Reconciling Corporate and Societal Culture to Improve the Productivity of Large Enterprises

Earlier pioneering research has showed how traditional values drive legitimacy, social commitment, expectations, and behavior, underscoring the necessity for cultural sensitivity and congruence between management and traditional values in effective human resource management. The Cote D'Ivoire's electric company (CIE), Togo's water supply company (RNET) and the Quality Circles Initiative in Burkina Faso have all factored this requirement into their management practices, leading to increased productivity and performance and a better working environment.

Conclusions and Operational Guidelines

The study finds that institutional reconciliation helps to achieve quick results in the field while enhancing sustainable capacity in Africa. Improving public sector management and private sector development should focus mainly on utilization of the existing and potential reserves of capacity and institutions through adaptation/replication of these high-impact low-cost cases of institutional reconciliation rather than on transplanting new systems, especially those using a heavy dose of expatriate technical assistance. Where no successful best practices exist, prototypes of new approaches would have to be developed and tested through pilot operations. Focusing mainstream donor lending on support for best practices and prototypes for institutional

reconciliation would be particularly fitting given current donor fatigue and pressure for quick results on the field from both the African population and donors.

Operational Guidelines

The conceptual framework and agenda to operationalize the main findings and recommendations of the AM90s research program can be synthesized as follows.

- Achieving institutional performance and capacity enhancement requires strengthening the necessary *nexus* between good *policies*, good *leadership* and good *institutions* .
- The main focus should be *utilization* of existing capacity/institutions and *replication* of best practices at the *grassroots*.
- The starting point should be *listening to clients/stakeholders and assessing existing capacity and institutional endowment*.
- Institutional reconciliation for improved service delivery involves *building on indigenous/grassroots institutions*.
- There is a need to balance the role and mission of the state and to *build partnership between the state, private and voluntary sectors* (local communities/NGOs).
- Networks are needed to help *share the lessons of experience and best practices*. Replication of best practices (some of which have been pioneered by NGOs) will facilitate *cooperation with NGOs* in both process and substance.
- There is need to complement the deconcentration of government services with *decentralization and empowerment of local communities/beneficiaries*.
- A pre-requisite for the above institutional reconciliation will be finding the right *balance between national unity and empowerment of local communities and respect for ethnic diversity*

This framework needs to be translated into projects/operations that donors can support. Sector Institutional Assessments (SIAs), as a diagnostic and consensus-building instrument during the *upstream strategic stage*, will provide the participatory framework to build momentum for institutional development and reform, enabling improved service delivery. At the *lending stage*, the following instruments provide options for translating the operational framework into results in the field.

- The broad sector approach to lending through Sector Investment Programs that emphasize participation, local ownership and management;
- The decentralized lending approach to support poverty alleviation in local communities/villages; and
- Social Fund Projects.

Institutional reconciliation is thus key to the institutional and economic development of Africa. More important, the approaches suggested in the study are rooted firmly in the local culture, and are consequently more likely to strengthen self-sufficiency and reduce dependence on foreign assistance.

Mamadou Dia. 1996. *Africa's Management in the 1990s and Beyond : Reconciling Indigenous and Transplanted Institutions*. Directions in Development Series. The World Bank, 1818 H Street NW, Washington, D.C. 20433.
