A LAYMAN'S GUIDE TO STRUCTURAL ADJUSTMENT

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The opinions expressed are those of the author and not necessarily those of IDRC.

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Introduction

This paper provides a non-technical review of the basic issues related to structural adjustment (SA). It focuses on the economic aspects of SA, attempting to make these intelligible to non-economists. It begins with a thumbnail sketch of SA: its definition and origin and the principal features of the programs recommended by the World Bank and International Monetary Fund. The main body of the paper then examines some of the principal controversies in three areas: first, the broad assumptions underlying SA programs; second, the percentage of aid allocated to SA; and third, some features of program implementation. Some alternatives to the Bank/Fund approach to SA are briefly examined and the paper concludes by looking at some issues which have been neglected but merit greater attention.

What is Structural Adjustment?

Structural adjustment in the general sense is the process of deliberately adjusting the structure of an economy to mitigate the effects of negative shocks or to take advantage of new opportunities. These shocks and opportunities can be external or domestic in origin. In fact most adjustment has been defensive in nature, adjusting to negative external shocks, but some, for example that practised by some of the East Asian newly industrialized countries (NIC's) has been positive, taking advantage of new opportunities in the international economy. This notion of SA is not controversial. It is widely accepted that economies must adapt to change. It is only the nature of that adaptation that is subject to disagreement.

Of particular interest is the type of SA recommended by the World Bank and International Monetary Fund and which forms the subject of this paper. This kind of adjustment began around 1980 in response to balance of payment problems experienced by countries in Africa, Latin America and some regions of Asia. The precise causes of the crisis are subject to some debate. They appear to lie principally in a series of external shocks that occurred during the 1970s. In 1974 the first oil price hike caused a large negative shock which was followed in 1975 by a boom in commodity prices. That led to large increases in consumption and investment which could not be sustained when in 1979 oil prices again increased, a world recession occurred and world interest rates rose. In Latin America, the negative consequences of these cycles were first softened and then later exacerbated by heavy borrowing. This crisis made itself felt in shortages of foreign exchange with which to purchase imports, imports needed both for direct consumption and for investment in industry and agriculture. This was often accompanied by hyperinflation in Latin America and negative rates of growth in Africa.

In keeping with its traditional role of providing short-term finance to smooth out balance of payment problems, the IMF provided loans designed to help countries to meet their import bills and to stabilize the economy. The stabilization programs were designed to reduce inflation by reducing demand; this in turn was achieved by lowering real wages and cutting government expenditures. This limited short-term financial objective was seen as necessary to get the economy functioning again. When inflation is running at 300%, little productive investment takes place. The Fund had always provided such loans, but in the early 1980's they became much more frequent.

The World Bank became more involved in policy-based lending similar to the Fund's around 1982 when it was recognized that the problem was long-term, that demand reduction alone wasn't enough and that changes in the structure of the economy were required to get out of the serious and prolonged economic crisis. The Bank also felt that policies needed more attention and had been one of the causes of the problem in the first place. It was also the experience of Bank staff that good projects were in short supply, particularly in Africa, and could not handle the rapid disbursements needed to keep the most affected economies afloat. Structural adjustment loans designed for this purpose comprised about 10% of the Bank's funding around 1982 but as of 1989 comprised 25% of total Bank lending, and 50% of it in Africa.

The main elements of the Bank/Fund approach are well known and don't require detailed explanation. The first element is austerity, reducing aggregate demand and government expenditure. By reducing domestic consumption, more goods can be exported to pay for essential imports. The second is reliance on the market to set prices rather than government price controls. This includes the price of foreign exchange and large devaluations play a major role in those programs. The third is privatization or a reduced role for the government in the economy. This involves selling off public enterprises or requiring them to operate under private sector performance criteria. In general, the private sector is expected to take on more of the functions previously performed by the State.

The purpose of these programs is to provide finance for a transition period. The economic policies and structures of the 1970s are seen as unsustainable. A crisis then resulted when those structures were subjected to external shocks. That crisis needed resolution through a transition to a more sustainable economic structure. In the long run this should be beneficial but in the short run these changes are painful and subject the economy to low or negative growth, increased unemployment and so on. The purpose of the programs is to provide finance during that transition period. (However, it is unclear to what extent these programs simply provide balance of payment support linked to broad macro conditionality versus the extent to which they cover the specific adjustment costs of transition.)

Some Controversies over Structural Adjustment

A. Broad Assumptions

The most important assumption underlying the structural adjustment programs of the Bank/Fund is the role of the state. In the view of these organizations and most conservative economists, markets provide the best means of efficiently allocating resources. Prices simultaneously provide signals about scarcities and incentives for producers to fill those scarcities. The alternate view is that markets have imperfections and will not in themselves result in an optimal long run allocation of resources and perhaps not even a good allocation in the short run. Information, especially about long run trends, is not perfect. Prices are volatile and unpredictable and monopolies and lack of entrepreneurship prevent the private sector from providing effective competition. In this view, government must play a role in allocating resources, directing investment and distributing income.

This debate has lasted many decades and shows no sign of been resolved. Conservatives argue that while markets may be imperfect, government is even more imperfect; they believe their views are vindicated by the recent liberalization in Eastern Europe. No effort is made to resolve the controversy here, but this issue receives more attention in the latter part of the paper.

A second basic assumption is the diagnosis of the causes of the economic crisis that necessitated structural adjustment. Most observers will probably agree that the crisis resulted from three factors: external shocks, weaknesses in the domestic structure of the economy (e.g. dependency on a single export) and flaws in domestic policies. Disagreement arises over how much weight to give to each of these factors. The World Bank gives most emphasis to domestic policies while developing country governments tend to emphasize external shocks.

The debate over external versus internal origins of the crisis may have received more attention than it merits. For one thing, the external vs. internal dichotomy is often used incorrectly to justify foreign aid. (I.e. if the crisis is external then aid is justified, if it is internal then it is not.) However if the aim of this line of argument is to identify responsibility as lying with the domestic government or not, a better criterion, as Streeten points out, is whether or not the shock was predictable. Many terms of trade shocks are predictable (at least current policy makers should not expect precipitative commodity price rises to last forever) while some domestic events such as climatic disasters are not predictable or controllable. Furthermore, it should be obvious that it is the interaction among these three causes which cause the crisis. Fred Bienefeld has used the metaphor of piling bricks on top of a cardboard box. When the box finally collapses, was it the fault of the bricks or the weak cardboard box? Obviously the question is not particularly meaningful even for policy: action is needed on all fronts. Improvements in the international economic environment are required and pressure should be applied to those bodies which can influence that environment. At the same time if developing country policy makers simply wait for those improvements and do nothing to adapt to those shocks, they may well be crushed in the meantime.

B. The Allocation of Aid to SA

How much of a country or aid agency's budget should go into structural adjustment is an important policy question. CIDA has recently announced that it intends to increase the proportion of its aid going into SA while the World Bank has informally indicated that it will likely return to a larger proportion of traditional project lending. Has the shift to more policy-based lending and less project aid over the last decade been a positive development?

There is fairly widespread agreement that the emphasis on project aid in the 1970s and earlier was probably excessive, for a variety of reasons that are well elaborated in the literature. Recurrent costs and counterpart contributions were too high for governments to afford in many cases. Tied aid was a problem; disbursements were too slow to meet the financial needs of countries in crisis in the 1980s; and bad policies tended to undermine the effectiveness of individual projects. Furthermore, it can be argued that developed countries and the Asian NIC's did not prosper through aid projects but rather through sound economic policies.

In principle then, policy-based lending should be superior to project lending. In practice it has some weaknesses. The costs of negotiating and monitoring the agreements tend to be extremely high due to the very specific and detailed nature of the conditionality involved. In fact most developing country governments spend so much time negotiating and reporting on these programs that they have no time to devote to any other aspect of economic policy. Policy-based lending also requires a great deal of macroeconomic expertise in both the donor and the recipient, far more than the relatively limited expertise required to do a cost-benefit analysis of a project. Few donors or recipients have the required expertise to design effective country-specific programs and this in part explains the "standardized recipe" employed in most SAPs and the heavy reliance on the market.

C. Implementation Problems

1. The most obvious aspect of implementation to be assessed is its effectiveness. What have structural adjustment programs accomplished over the last ten years? Although the experience with SAPs is by now widespread, the evidence is not conclusive. Some individual countries have done relatively well, but these generally involved large amounts of aid which will eventually have to be paid back. Most countries have improved their balance of payments performance though much of this, particularly in Africa, comes from reducing imports rather than increasing exports. Latin American export performance has been quite good, however, and many Latin American economies have been able to grow at respectable rates. Unfortunately much of this growth goes into debt repayment.

In general, the Bank/Fund approach has not been conspicuously successful. In Africa one sees individual success stories but not much improvement across the continent. Growth is still stagnant or negative after nearly ten years of structural adjustment. These programs were supposed to provide a quick fix - a three to five year adjustment after which economic growth could be resumed. That so little progress that has been made after ten years must surely be a source of disappointment both to the Bank and the Fund and to developing countries.

2. Conditionality is an important part of structural adjustment. In order to receive loans, countries must agree to meet a series of very detailed, time-specific targets. Further disbursements will not be made unless these targets are met. Furthermore, some of the targets are only indirectly related to the overall goals of the program and targets such as privatizing public enterprises which might be seen as a means to a goal of reducing the fiscal deficit, sometimes appear to be ends in themselves. Because of the heavy ideological component of some of these targets and the enormous amount of time that goes into negotiating, reporting and monitoring their achievement, many critics argue that conditionality should involve longer and looser deadlines and more aggregate targets, with more responsibility being left to the country as to how and when to meet them. Rather than monitoring performance on a large number of specific activities it would be better to monitor the overall results.

However, countries which advocate this approach should be aware of a possible inconsistency with another of their frequently voiced requests. It is often advocated that the agreement make specific allowance for non-performance caused by exogenous factors. For example, Mexico managed to negotiate a clause which partially linked its debt repayment to the world price of oil. If Mexico's oil export revenues decline it would not be expected to repay as much debt. It is probably not consistent to argue that exogenous and endogenous causes of non-performance should be separated, while simultaneously asking that performance be assessed on the basis of ultimate goals rather than specific indicators.

Another consideration with respect to conditionality is the degree to which it impinges on national sovereignty. Do the Bank and the Fund have the right to tell governments what to do? This is indeed a serious question but must be treated with some degree of realism. For example, whose sovereignty is impinged upon? That of "the government"? "The people"? Would anyone argue that the governments of all developing countries actually reflect the will of their people? One of the effects of structural adjustment should be to redistribute income from government bureaucrats to producers. Bureaucrats can logically be expected to resist this and when they do so it may be a defense of their own interests as much as a defence of national sovereignty. Furthermore, much of the public Bank-bashing which goes on is simply playing to a domestic audience. In many cases governments want to take strong action against domestic lobbies but lack the political clout to do so. By saying that they were forced into a particular action by external pressure and blaming the action on a scapegoat, they may be able to carry out politically difficult decisions which they could not have implemented otherwise. The Bank and the Fund are well aware of this and are willing to play along in order to get their recommendations implemented.

3. The <u>timing, sequencing and pace</u> of adjustment is another area of controversy. The Bank and the Fund favour simultaneous, uniform and immediate "shock treatment" with respect to policy change, in part because they believe gradual change is politically unfeasible since it will allow time for political resistance to mount. An alternative view is that gradual, sequenced changes of policies may be both economically more efficient and politically more feasible since they will allow time for some groups to benefit from the change and provide support for further reforms.

4. The cost or <u>social impact</u> of structural adjustment programs has received a great deal of attention. Again a careful definition of the problem is needed for adequate assessment. If standards of living have dropped one must be careful in

attributing that drop to structural adjustment or to the general economic crisis which necessitated structural adjustment. One must also provide an appropriate standard against which to measure standards of living. The living standards of the 1970s may not be relevant if they were achieved through unsustainable government deficits, borrowing, temporarily high commodity prices and so on.

It is also frequently alleged that the poor have borne a disproportionate share of the burden of adjustment because of cuts in government services (e.g. health, education, water, sanitation). It is further alleged that user fees, as recommended by the Bank, will make basic services unaffordable for the poor. Here careful comparative analysis is required before any conclusions can be drawn. Such services must be paid for in one form or another and it is not certain that alternative methods will be less regressive. Paying for services out of general government revenue is not sustainable if that revenue comes from borrowing or printing money. If it comes from taxation it is not certain that taxation will have a progressive incidence. In most developing countries income tax accounts for a negligible proportion of government revenue. Most of it comes from export taxes and import duties paid for by producers (often peasant farmers) and consumers. One cannot assume a priori that the poor would pay a smaller share of the costs through taxation than they would through user fees. Furthermore when prices or services are kept artificially low, rationing tends to occur. There is no guarantee that the poor would obtain access to rationed services as freely as the rich, powerful and well connected. Kenneth Boulding has said that welfare capitalism is a way of subsidizing the rich while making it look as if you are subsidizing the poor, an hypothesis which should be kept in mind when empirically evaluating the incidence of alternative ways of financing social services.

5. A fifth area of controversy is the overwhelming role of prices in structural adjustment programs. These programs rely to a large extent on "getting the prices right" to effect structural adjustment, assuming that supply will respond automatically and efficiently to those price changes. However, in very undeveloped countries there are likely to be supply bottlenecks of such importance that price increases will not produce the desired effects. For example, it is now clear that raising the price of any particular crop will produce an increase in supply of that crop but may well do so at the expense of another crop. Trying to increase total output by increasing prices for all crops is unlikely to be effective and may simply lead to inflation. There is now greater recognition even within the Bank of the importance of Paul Streeten's "six I's", of which incentives are only one. (The others are inputs, innovations in technology, information, infrastructure and institutions). One disturbing possibility is that cutbacks in these areas as a result of SA may have more than

wiped out the gains from pricing reforms.

6. The homogeneity of Bank/Fund programs has also prompted criticism. A standard recipe tends to be applied to all countries regardless of individual circumstances, for several reasons. One reason is limited knowledge of the countries' differences. A second is the ideological content of the programs. A third is a desire to provide a simply recipe which is immune to political and administrative problems -in practice this means a simplified market solution. A fourth factor is the need to avoid the appearance of favouritism when the Bank or Fund negotiate agreements with different countries. And finally, it must be noted that few countries have provided coherent country-specific alternatives to the Bank/Fund programs. If countries themselves cannot provide tailor-made programs it is difficult to see how external agencies could do better.

7. Privatization has been another controversial issue and one on which there has been some misperception of Bank recommendations. In many cases what is termed privatization is not necessarily the total withdrawal of the state from a sector. In some cases it simply means setting performance criteria for public enterprises, or allowing private enterprises to compete with public enterprises.

Evaluation of a privatization program should take into account whether or not more competition exists before or after the program. For example, does privatization abolish a public monopoly, allowing public and private firms to compete? Or does it simply transfer ownership of an enterprise from the government to a single private owner (who may even be a government official)? Privatization should be done carefully on a case by case basis with feasibility studies of the private sector's capacity and degree of competitiveness. In fact, in the rush to develop structural adjustment loans for quick disbursement, such careful analysis is rarely done.

8. Structural adjustment has been criticized for encouraging an emphasis on traditional export crops in which developing countries have a static comparative advantage. This is said to encourage countries to specialize in low technology activities in which they compete only through low wages. This is also alleged to lead to a "fallacy of composition" in which countries export more, creating gluts on the market and thereby reducing prices. A vicious circle is created in which countries export more and more but earn less and less.

This argument does not have strong empirical support. In fact the most discouraging thing about Africa's export performance is that not only the prices but the export volumes have dropped and Africa's share in world markets has decreased. In many cases African countries have lost market share to Asian countries such as Malaysia which have higher wages. That Malaysia can successfully export products in which it does not have an obvious comparative advantage, while simultaneously providing those producers with incomes substantially higher than that of African producers, indicates the benefits that strong managerial and technological performance can provide.

Furthermore, there has been some misreading of the role of export crops in a growth strategy. Few people, including those in the Bank, would argue that developing countries should specialize in simple commodities for the long run. Structural adjustment programs are designed as medium-term programs which draw on a country's current comparative advantage to earn badly needed export revenues and put it back on a growth path. Seen as a medium-term transitional device, traditional export crops can make a positive contribution. Furthermore, as the Asian experience shows, technological progress can keep producer countries ahead of price declines. (Prices of computers have dropped drastically in real terms over the last ten years but computer firms do not complain that the terms of trade have moved against them and that they should therefore get out of high tech industries.)

Recent Alternatives

One recent proposal which could be considered an alternative to the traditional Bank/Fund approach is the recent World Bank report on Africa "From Crisis to Sustainable Development". This report responded to criticism of structural adjustment programs by the Bank's Board and a general feeling of pessimism that after ten years of structural adjustment lending positive results are still difficult to see. The recent report responds to many of the criticisms, including some mentioned above. One finds in the recent report more emphasis on human resource development, protection of social programs, reliance on non-price measures including agricultural technology research, regional integration, women, environment and community involvement. However, although the number of ingredients in the recipe has increased, the cake still has a remarkably similar flavour, perhaps because many of the measures advocated in each of those areas still reflect the same overall Bank philosophy. For example, with respect to resource degradation, it is stated that lack of communal land tenure does not provide incentives for long run maintenance of the resource and that private land ownership should therefore be introduced. However, anthropologists have found many cases in which community land ownership has led to quite good long-term resource management. It is likely that one could find cases of both sustainable private ownership or sustainable communal or government ownership. Identifying the factors which lead to the assignment of long-term value to a resource would be more useful than simplistic generalizations about private vs. communal land tenure.

Another alternative to current Bank/Fund thinking is the report from the UN Economic Commission on Africa. This report provides a competent critique of the Bank/Fund approach but the alternative it presents is disappointing. It closely resembles the approaches applied during the sixties and seventies with little success. There is a heavy emphasis on subsidies and protection but no indication of how these would be applied more effectively than they were in the past. There are great many cost increases in the program while the only cost decreases would come from reducing defence spending. The recommendation that African governments democratise and reduce defence expenditures is laudable and one with which the Bank and the Fund probably agree. The ECA report does not indicate how these changes are to come about. Surely it does not recommend that defence spending and democracy form part of Bank/Fund conditionality in the future.

Finally, one can mention the alternative stabilization and adjustment programs implemented in Argentina, Brazil and Peru. These were "heterodox" programs which attempted to combine stabilization and adjustment with growth, redistribution of income and so on. They were dramatic failures, more spectacular than the worst Bank/Fund failures. This experience suggests a tempering of criticism of conventional approaches.

Conclusions

An obvious topic for discussion here is research priorities. This topic has received attention elsewhere and will not receive a great deal here. The most obvious area for research is social impact but one must be careful of a couple of pitfalls. One is the danger of putting too much emphasis on this single aspect of structural adjustment. The response from the Bank and the Fund can well be "Yes, we agree that the poor have suffered and will add the human face to our programs". This leaves unanswered the more fundamental questions about the basic assumptions, diagnosis and design of conventional structural adjustment programs. In fact this is how much of the current debate between CIDA and the NGOs is being conducted. The second danger is that neglects the importance of investment, something which is less visible, has been cut harder than social programs and which has no advocate to speak for it. While the short-term effects of structural adjustment on the poor are dramatic and visible, the longer-term effects on growth may be just as serious while attracting less attention. In any case, whatever research is done on social impact should be positive. It should not simply demonstrate the existence of poverty, but should propose measures to mitigate it which are economically sustainable.

Topics which have been somewhat neglected but which merit greater attention include global adjustment, technology policy and the role of the state.

A. Global Adjustment

Structural adjustment has not fully succeeded, in part because of its narrow scope and lack of financing. It has been restricted so far to developing countries, while to be effective global adjustment is needed, especially in world financial markets. Structural adjustment programs were based on the assumption of much larger capital flows than are currently available and it is difficult to see how the programs can function properly without enough fuel. Donor countries have not kept their promises to provide increased finance in exchange for policy reforms (the Brady Plan); protectionism limits the opportunities for countries to earn export revenue; foreign direct investment in least developing countries is virtually nil; and voluntary commercial bank lending ceased some years ago.

At the same time, the US deficit is absorbing a huge amount of the capital available in world markets, driving up world interest rates and exacerbating the debt burden. Capital from countries such as Japan, Thailand and Korea goes into real estate speculation at home and in the U.S. Stock market is dominated by mergers and takeovers rather than new productive investments and conspicuous consumption by the Donald Trumps and Malcolm Forbes reach scandalous proportions. Speculators will now pay $60 million for a painting which they can sell for a profit six months later. Time magazine reports that Taiwanese yuppies are willing to pay $3,500 for a bowl of shark fin soup in a five star restaurant.

This is all highly anecdotal but does seem to indicate a distortion of values, and lack of vision. More practically, there is a need for financial instruments to channel investment capital from surplus to deficit countries. Such quasi-equity instruments should combine financial flows with expertise and some sharing of performance risk, unlike the unsupervised lending of the 1970s or the risk- free conditionality-based loans of the Bank and Fund of the 1980s. Creative macro-institutional innovations, along with policy co-ordination and macroeconomic adjustment in the north, will be needed to achieve adjustment on a global scale.

B. Technology Policy

If increased investment funds were made available, what should they go into? There are several possibilities. One is the kind of transitional adjustment mentioned before. In developed countries, "adjustment" usually refers to such measures as retraining programs, relocation allowances and various other compensation payments intended to increase flexibility in labour markets and cushion the shocks of a shift from sunset to sunrise industries. Little of this is present in structural adjustment loans for developing countries and more transitional adjustment could have significant benefits. So could investment in rehabilitation of existing enterprises as opposed to investment in new ones; in export diversification; development of local substitutes for imported inputs; infrastructure; and perhaps most important, technological innovation.

It has become increasingly obvious that the least developed countries must make substantial technological progress simply to keep up with their competitiors in world markets, and even more progress to achieve significant growth. Unfortunately, structural adjustment, due to its short-term economic management orientation, pays little attention to the requirements for technological innovation. Many of its effects on local technological capacity may well be negative. In the short-term, countries will tend to specialize in low technology activities in which they have current comparative advantage. Cutbacks in government investment projects reduce a major source of demand for technology. Governments are also reducing their support to research and development institutions, affecting the supply of technology. (These institutions are extremely vulnerable to cutbacks, as we have seen from the experience of the NRC in Canada.) Finally, the overall decline in investment, both foreign and domestic, reduces opportunities for technological change. Conscious efforts to mitigate these effects and maintain technological capacity in a period of crisis are of critical importance.

C. <u>The Role of the State</u>

The kind of state envisaged in structural adjustment programs is a minimal one which provides basic services and laws - in general, an enabling environment for the private sector. The effects of SA on civil society - the range of associations and institutions which lie outside government but which have a recognized legitimate role in aggregating and expressing interests - are also far reaching but more difficult to foresee. Will SA produce a relationship between state and civil society that will promote economic development? This, rather than the static short run effect on efficiency is the crucial impact of structural adjustment.

It is far from clear that a minimal state will be sufficient. The Korean experience suggests that the state has an important role to play in identifying a country's dynamic comparative advantage, in directing investing towards its achievement, and in promoting technological progress. In order to play this role effectively, however, the state must be capable and autonomous. Prior to structural adjustment, these conditions did not exist in most developing countries, particularly those in Africa. Instead the state tended to be weak and was captured by very narrow private interests. Policies tended to result from lobbying by very specific interests, the result being a fragmented and inconsistent policy framework. At the same time, society was also weak and fragmented, dominated by the economy of affection, while the legitimate and organized expression of interests was severely limited or repressed. The powerful influenced the state through connections and bribery, the powerless influenced it by taking to the streets.

The state and civil society are not a zero sum game - both can and must be strengthened. A strong civil society is necessary to openly express competing interests and alternative visions of a country's future. A strong state is needed to mediate and synthesize those competing demands, to form consensus and to implement the actions needed to achieve societal goals. A minimal, post-structural adjustment state may be somewhat less susceptible to illegitimate societal pressures simply because its mandate and resources are reduced and its capacity to respond limited by external imposed conditionality. This kind of relationship between state, society and external donors may minimize the worst excesses of the past, but it has little to offer as a positive force for development.

The effects of structural adjustment on civil society are much less clear than its effects on the state. It may lead to an atomized society in which economic agents interact only through the market place. It may promote the sharpening of class differences and their stronger expression. For example, commercial farmers may begin to exert more political influence and consolidate various advantages they have gained from pricing reform. More optimistically, there are signs that interest groups are coalescing in Africa along functional rather than tribal lines. In some countries, chambers of commerce, farmers' associations, and trade unions are becoming involved in policy debates over structural adjustment. Given a sufficiently informed debate and the opportunity for open expression, the result could be greater recognition of the legitimacy of interests of other actors and the beginnings of consensus formation. Such consensus building under the label 'concertación' has been attempted in Latin America, but is at most embryonic in Africa.

These potential developments are not confined to the developing world. They will play a major role in Eastern Europe as atomized civil societies emerging from decades of repression struggle to reconstitute themselves during a period of traumatic economic change.

These developments are also of significance to IDRC. An informed public debate requires information and the capacity to analyze, interpret and synthesize it. This capacity must become widely diffused throughout society. It must not be concentrated in a few government technocrats, if for no other reason than the fact that, in the medium term, the government's mandate, resources and freedom of action are shrinking. The traditional model of policy impact - researchers targetting highly specific policy recommendations to a small group of policy makers - is no longer adequate. Researchers must also play a role in improving the analytical capacity of civil society's institutions, in enriching the quality of public debate, highlighting tradeoffs and choices, and contributing to a shared vision of a country's dynamic comparative advantage. This is more difficult role than generating policy recommendations but an important and necessary one.

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SUGGESTED READINGS

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