Structural Adjustment & Railways Privatisation

World Bank policy and government practice in Ivory Coast and Ghana

A report by

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Public World

1. Introduction

This paper is one of the products of research jointly financed by the International Transport Workers' Federation and the Economic Development Institute of the World Bank. It is concerned with restructuring of railways in the context of the structural adjustment policies and practices of the World Bank. It focuses on the recent experience of two West African countries, Ivory Coast and Ghana. The material in Section 2 is largely drawn from World Bank literature. The rest of the paper is based on interviews, some of them off-the-record, by researcher Marc Micoud with government, rail management and union officials in Ivory Coast and Ghana, and on documents gathered during his research visit to the two countries in September 1997.

The paper begins with a brief overview of the World Bank's approach to structural adjustment, before outlining its policy approach to railways and to public enterprises in Africa in particular. It then examines recent experience in Ivory Coast, where rail has been privatised, and in Ghana, where, following some restructuring of the state-owned railway company, including major job losses, the World Bank now appears to be recommending privatisation along the same lines as in Ivory Coast. The paper concludes with some tentative conclusions based on the two comparative cases and wider experience.

2. The World Bank, Africa and Railways

Structural adjustment programmes (SAPs) were developed by the World Bank to deal with economic problems faced by developing countries following the oil price shocks and international debt crises of the 1970s. The Bank itself has defined structural adjustment in the following terms: 'The reform programs that many African countries initiated in the mid-1980s -- with the support of the International Monetary Fund, the World Bank and other donors -- reflected a new paradigm. The reforms attempted to reduce the state's role in production and in regulating private economic activity. They assigned more importance to exports, especially those from the much-neglected agricultural sector. And they placed more emphasis on maintaining macroeconomic stability and avoiding overvalued exchange rates. The process of revamping the policy framework in line with this new paradigm became known as structural adjustment.'[1]

Structural adjustment and public utility and transport services

Each year, the World Bank publishes a book called *World Development Report*, to which scores of staff and outsiders contribute. Around 100,000 copies are circulated internationally at a cost of around US$3m. Each of the annual reports has a theme, and in 1994 it was called 'Infrastructure for Development'.

While acknowledging the achievements of public investment and state provision of utility and transport services, the report said that public ownership and management was associated with 'operational inefficiencies, inadequate maintenance, excessive dependence on fiscal resources, lack of responsiveness to users' needs, limited benefits to the poor and insufficient environmental responsibility'.[2] Three 'broad actions' were required to put this right: 'applying commercial principles', 'encouraging competition from appropriately regulated private sector providers' and 'increasing the involvement of users and other stakeholders in planning, providing and monitoring infrastructure services'.[3] Four possible ways of achieving these effects were outlined: commercialising public management, including the use of private contractors; privatising operations, through concessions or leases; privatising both ownership and operation; and community and user provision.

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[1] *Adjustment in Africa*, World Bank, 1994, p.34.
[2] *World Development Report, 1994*, World Bank, Washington, D.C., 1994, p.27.
[3] *World Development Report, 1994*, World Bank, Washington, D.C., 1994, p.109.

Structural adjustment and privatisation

By the nature of SAPs, privatisation of various types was always a key element. More recently, privatisation has also developed something of a life of its own in World Bank policies and activities. Various parts of the Bank group offer policy and technical assistance, as well as finance, for privatisation programmes and measures. In practice, the World Bank has increasingly appeared to favour as far a move along the privatisation spectrum as possible. Crudely, there seems to be a rule of thumb that private ownership in a deregulated competitive environment is the best preference; regulated private ownership and provision a second best, with private operation of state-owned infrastructure the next alternative, followed by private management and then commercialised public management.

The policy position guiding these activities has been most succinctly expressed by John Nellis, a senior manager in the Bank's Private Sector Development department, who has written: 'Is privatization necessary? The answer is a decided "yes". Privatization is necessary, and not simply to improve the performance of public enterprises -- though the evidence is striking that it can and does improve performance. Privatization's essential contributions are to "lock in the gains" achieved earlier in reforming public ownership or in preparing a firm for sale, to distance the firm from the political process, and to inoculate it against the recurrence of the common and deadly ailment of public enterprises: interference by owners who have more than profit on their minds.'[4]

The World Bank and railways

The suitability of any of the above policy options is held to vary depending on sector and country characteristics. In the *World Development Report 1994*, the World Bank recommended the unbundling of public service activities and devised a schema for assessing the 'feasibility of private sector delivery' of the constituent parts. Rail track and stations had 'low' potential for competition but 'high' potential for recovering costs from user charges, adding up to a 'marketability' rating of 2.0 on a scale from 1.0 to 3.0. However, rail freight and passenger services were accorded a 'high' potential for both competition and recovering costs from user charges, and good service could best be delivered privately, giving it a 'marketability' rating of 2.6. Urban rail services rated 2.4, lower because of only a 'medium' potential for charging full cost to users. The report acknowledged differences between 'low-income countries with modest capacity' and 'middle-income countries with good capacity', but proposed that 'concessions or leasing arrangements are proven ways' for the former to 'draw on foreign expertise'.[5]

In Africa, the influence of the approaches outlined above can be clearly seen in recent and current projects, such as privatisation plans in Congo and Gabon and a restructuring exercise in Kenya Railways separating freight from passenger services and costing 8,000 jobs. It is also in evidence in the two countries which are the main subject of this report.

3. Background to the cases of Ivory Coast and Ghana

Economic and historical significance of the railways

The development of the railways in both Ivory Coast and Ghana -- like those in the rest of sub-Saharan Africa -- took place during the colonial period and reflected the priorities of colonial rulers. In both cases, the main purposes of establishing rail infrastructure were to aid exploitation of natural resources by moving primary products from their source to ports for export to metropolitan markets in Europe, and by moving labour from the north of the colonies to plantations or mines further south.

In both countries, cocoa exportation was especially important to the purpose of railways development, and remains of vital importance to economic development today -- Ivory Coast and Ghana are the world's first and second cocoa exporters. Ivory Coast is also Africa's largest coffee producer, while in Ghana, manganese, gold and bauxite are the other major primary products. As

[4] 'Is Privatization Necessary?', John Nellis, in *Public Policy for the Private Sector*, World Bank, December 1994, p.5.
[5] *Adjustment in Africa*, World Bank, 1994, p.10.

export orientation has been central to the SAPs in both countries, the significance of the relationship between rail transport and the export of primary products in which the countries have ‘comparative advantage’ is as great today in the context of globalisation as it was in the context of colonialisation. In Ghana, the railway is the sole means by which manganese and bauxite are transported to the port.

Infrastructure and institutional development

The Ivory Coast railway was constructed between 1905 and 1954, when the country formed a single French colony with Burkina Faso. The railway enabled Abidjan to become a viable sea port and, today, the 1264 km. of line runs from Abidjan in Ivory Coast to Kaya, north of Ougadougou in Burkina Faso. Ghana’s railway was built under British rule. The network of 947 km was built between 1898 and 1956 in three sections forming a triangle linking Kumasi at the apex with the sea ports of Takoradi and Accra at the base.

Until 1989, the Ivory Coast railway was run by Regie Abidjan Niger (RAN), under the supervision of both Ivory Coast and Burkina Faso even following independence. In 1989, RAN split into two national companies, Societé Ivorienne de Chemin de Fer (SICF) and Societé des Chemins de Fer du Burkina Faso, (SCBF). Management of Ghana’s railway and ports were initially run by a single colonial administrative body, the Ghana Railway and Harbour Authority. Following Ghana’s independence, this became the Ghana Railway and Port Authority, but management of the two companies was separated in 1977 and responsibility for the railway handed to the Ghana Railway Corporation (GRC).

Labour organisation

The main rail workers union in Ivory Coast is now Syndicat des Travailleurs du Rail (SYNTRARAIL), which has succeeded the Syndicat National de la SICF (SYNASICF) following privatisation in 1995. It is affiliated to the Union General des Syndicats de Cote d' Ivoire (UGTCI) but not to ITF. The main rail unions in Ghana, affiliated to both the Ghana Trade Union Congress and the ITF, are the Railway Enginemen's Union and the Railway Workers' Union.

4. Development of crises in Ivory Coast and Ghana

The development of economic crises in both Ivory Coast and Ghana in the 1980s followed the pattern of many other countries whose governments had borrowed too much in response to policies of international banks to lend too much. A variety of factors conspired to plunge both countries into a downward spiral of debt and state budget deficits. Change in the terms of trade, for cocoa and other products, were among those factors, although opinions differ as to the scale of its significance. In any event, it combined with problems stemming from the state’s monopoly and from failings of state management, such as political appointments and corruption, to impact both directly and indirectly on railways.

In Ivory Coast, by the beginning of the 1980s, RAN was unable to rehabilitate rolling stock and infrastructure, which in turn drove up operating costs. At the same time, road transport began to benefit from the earlier investment in what remains one of Africa’s best road networks, planned and built not to complement rail but in parallel with it. At the peak of its activities in the 1970s, RAN was transporting almost 900,000 tons of freight per year. By 1989, this number was down to 260,000 tons.

A similar range of inter-related problems and failings produced a similar level of crisis in Ghana’s railway. There is disagreement as to the share of blame deserved by the service’s management -- one consultant’s report held mismanagement to be primarily responsible for the railway’s problems, while another, commissioned by the Ghana Trade Union Congress, suggested that poor staff performance was a secondary problem. ‘Whilst it is correct to say that indiscipline of a sort existed at GRC it may however be incorrect to say that such indiscipline is intrinsic,’ the report by Dr. A. F Gockel stated, adding: ‘It is, rather, a response to the deteriorating nature of the GRC basic infrastructure.’ In any event, from I.6 millions tons in 1970, freight traffic collapsed to 350,000 tonnes in 1983. Over the same period passenger traffic fell from 8 million to 3.3 millions passengers.

5. Restructuring and Privatisation in Ivory Coast

Restructuring and labour reductions, 1985 - 1992

During its golden age, RAN was employing more than 6000 workers, employed on better terms than most state employees (but average state employee terms were not as good as those of the average worker in the formal private sector). However, after K. J. Budin -- formerly with the World Bank -- was appointed to head the company, the workforce was reduced by around 600 between 1985 and 1988. The separation of the Ivory Coast and Burkina Faso operations in 1989 was followed in the former by a more commercial approach, under a new managing director, Yao Koukaou, a former car concessionaire with no experience of running a railway.

Under Koukaou, the railway was restructured without consultation with the union, which in any case was unprepared. The effect of the restructuring was to reduce the workforce by about a third, but it soon became clear that there had been too many redundancies in some key areas -- notably signalling and security -- and this caused operational difficulties. Moreover, the restructuring did not bring what the railway clearly needed more than anything else, investment in infrastructure and rolling stock. Because of the labour-intensive nature of making good infrastructural deficiencies, the company found itself having to pay some of its remaining workforce overtime.

In March 1993, a new stage of restructuring began, the most effective yet, according to the union. The company's 1993 Activity Report highlights changes in commercial attitudes, reduction of fraud by 30% and a 60% increase in availability of locomotives, a good sign of maintenance efficiency. These improvements showed what could be done under state management, but by then the privatisation process was underway.

The development of the privatisation plan, 1992 - 1995

In October 1992, a plan to reintegrate and privatise the Ivory Coast and Burkina Faso railways was announced, and it was followed in December that year by a call for tenders. There were three bids. One, from a Canadian company, was withdrawn after it turned out that the local partners on whom it depended had already made a deal with the main player in one of the other bids. A second, from Belgium, failed to satisfy the requirements of the tender in that it involved a management contract as opposed to a concession. The third application was led by a French transnational company called SAGA in partnership with local investors. The main business of SAGA, a subsidiary of the Bollore group, is freight forwarding. It controls more than half of Burkino Faso's imports and exports.

Bids were opened in March 1993, but the selection process dragged on for two-and-a-half years, in the form of negotiation with the only remaining bidder, the SAGA-led consortium Societe Internationale de Transports Africains par Rail (SITARAIL), which, in August 1995, was awarded the concession to run services and rehabilitate the infrastructure on terms rather different from those in the original tender documentation. The eventual agreement involves leasing to SITARAIL the infrastructure, rolling stock and stations in return for a usage fee related to revenue. Ownership of the infrastructure and responsibility for managing the concession rests with new state-owned companies, the Societe de Gestion du Patrimoine Ferroviaire (SIPF), in Ivory Coast, and Societe de Patrimoineroviaire du Burkina Faso (SOPAFER-B). There are public interest obligations attached to the concession, but their content was not made available during the research visit, and their enforceability is also unclear.

SAGA holds 32.65% of the SITARAIL equity. The states of Burkina Faso and Ivory Coast each retain a 15% share; transnational and local companies Maersk, SICC, Transurb and Sofrerail own around 18% between them; 16% of the company's equity was floated on the Abidjan stock exchange; and three per cent was allocated to staff.

It is not clear exactly what happened during the extraordinarily lengthy negotiation period, when there was, in effect, no competitive process because there was only one remaining bid. It is clear that SAGA, whose freight business accounted for more than half SICF's revenue, had considerable market power. This has fuelled speculation as to the cause of a fall in SICF's freight traffic of almost 30 % during 1994, the year the company should have been able to benefit from the increased availability of rolling stock achieved the year before. This drop might have led to a lower concession payment. There has also been some concern about closeness of the company to the government's negotiating committee, one member of which left to become a SAGA employee during the talks.

Among the changes to the concession terms was that, while originally the cost of rehabilitation was to be the sole responsibility of the concessionaire -- this, indeed, had been the major rationale for privatisation and the reason for the concession being of sufficient duration to allow the private operator to secure a fair return -- the eventual concession required SITARAIL to make only very little investment. According to officials at the Comité de Privatisation, out of the CFA Fr. 40 billions planned investment in rehabilitation of the railway, SITARAIL itself is raising only CFA Fr. 8 billions, of which CFA Fr. 3.5 billions is a loan from the Caisse Francaise de Development (CFD), the French bilateral aid agency. The rest is loans provided by multilateral and other bilateral aid agencies and guaranteed by the Ivory Coast government.

Regulating the private operators

The World Bank, having helped to shape the privatisation at a general policy level, also provided some technical assistance in the drafting of the eventual terms of the concession, and some critics say the terms are more liberal than they might have been as a result. There has been criticism, in particular, of the lack of tariff regulation. This is countered by the claim that competition from roads will prevent monopoly abuse and by the fact that tariffs in 1996, the first year of the concession, did not increase significantly overall.

One reason for relying on competition rather than state regulation to protect consumers is the limited capacity of the state. Regulatory oversight of SITARAIL rests with the two national bodies, SIPF and the SOPAFER-B. Officials at SIPF admit that it is technically very difficult for them to control the activities of SITARAIL. They argue that they have insufficient capacity, especially human resources, to check that SITARAIL is giving them accurate information about revenue, on which the usage fee paid by the company is based. However, concern remains about the monopoly potential of SAGA's dominance in both the rail concession and freight forwarding. With road transport around 15 per cent more costly than rail, there is potential for SAGA to squeeze its freight forwarding competitors through SITARAIL's charges. One managing director of a rival firm suggested it was an understatement to describe SITARAIL's relationahip with its competitors as unfair.

Privatisation and labour

The unions had been unprepared for the workforce reductions experienced at the end of the 1980s and tried to learn from that when it became clear that preparation for privatisation would bring further job cuts. The unions set out on this occasion to improve upon the redundancy terms imposed in 1989; to promote re-employment of as many as possible of those made redundnant; and to prevent post-privatisation job losses. In the event, SITARAIL reduced its combined Ivory Coast and Burkina Faso workforce by more than half, from around 4,000 (itself about two thirds of the mid-1980s level) to 1815.

At the beginning of 1995, the union asked for information as to how further labour restructuring would be carried out, but the government ignored the request. This led to a strike, and workers displayed such tactics as blocking the centre of Abidjan with a locomotive. Negotiations started a few days later, but the union maintained the strike while the talks took place. Eventually, details of the redundancies envisaged were provided and the union argued up the severance terms to the equivalent of 14 months of wages, double the initial offer. In addition, the number of years of contributions required to entitle an employee to an early retirement package was reduced from 20 to 15 years.

There have been no retraining schemes aimed at retrenched workers, although during the negotiations the union proposed a scheme to enable workers to establish their own businesses. However, SITARAIL has agreed in principle to favour companies created by former SICF workers when looking for subcontractors. In practice, track maintenance, company car fleet management and printing of timetables and tickets have been contracted out to firms set up by former SICF workers. SITARAIL has also agreed to give preference to workers made redundant in 1995 when recruiting new staff. However, those workers are treated as new employees for the purposes of pay determination.

This is a significant condition, because SITARAIL has abandoned the pay scales in operation before the concession began, replacing them with a new system the details of which the company would not reveal. Up to September 1997, this only applied to 60 workers. The rest of the workforce is on another new system which enables the company to honour its pledge not to cut the wages of any employee transferring to its employment from SICF. Under this elaborate system, a newly determined 'basic' wage -- established by a process of job evaluation -- is topped up with various supplements such as accommodation allowances, travel allowances, special payments for working in dirty or hazardous conditions and performance-related bonuses. The overall impact on pay levels is not clear. Average pay has increased, but the sharp increases awarded to managers to raise their salaries to private sector market levels distorts the average considerably.

The company health insurance programme enjoyed by the workers before privatisation has been privatised through a contract with a separate company. The cost of contributions is shared between the workers and the company. The union wants to increase the percentage paid by the employer. Although on paper it is a worse arrangement for the workers than the social protection provided to them and their families through their employment prior to privatisation, in practice the state employees' funds had come to be heavily in debt in the 1980s as a result of the government failing to pay its contributions and most employees no longer even applied to the fund for reimbursement of medical expenses. Working conditions have improved since privatisation, according to the union, which expects further improvements in the future. Workers have been provided with uniforms, and there are plans, dependent on receipt of loans, to upgrade workshops and equipment.

6. Restructuring in Ghana

Efforts to rehabilitate Ghana's railways began in 1983, when the then military government of Jerry Rawlings (since democratically elected) devised a Transport Recovery Programme (TRP), part of an Economic Recovery Programme (ERP), which has involved three Railway Rehabilitation Projects (RRPs). RRP1 ran from 1983 to 1988 and improved important parts of the Western Line, the busiest, at a cost of US$ 73.7 millions, financed by the World Bank. RRP2, 1988-1995, again financed by the World Bank, invested US$42.96 on the Eastern and Central Lines. RRP 3, 1995-1998 , is intended to tackle the chronic problem of lack of rolling stock that has prevented the full potential of the first two RRPs from being realised, and is also providing investments in other areas.

According to the Railway Workers' Union, only the tracks that were the most damaged were changed under RRP1, which was undermined by continued problems of deficient signalling, rolling stock and workshops. Both unions and management criticised RRP2 for focusing on the Eastern and Central lines before the problems of the Western line had been completely sorted out. Moreover, the Eastern line -- vital to cocoa transportation -- has continued to have deficient tracks and bridges, and it is difficult to get spares for the maintenance of the radio-based signalling system, because the parts required are either obsolete or too expensive in foreign exchange.

The labour force and its representatives were not invited to contribute to the design and application of the RRPs. The unions emphasise that industrial relations were difficult in the 1980s, before the first multi-party elections in 1992, because of the continuing lack of democracy in the country generally. The union concerns about the lack of a holistic approach have been borne out. By 1995, rolling stock remained in very poor condition, with 24 out of 76 locomotives more than 30 years old. Maintenance was undermined by lack of spares and money to buy them. Although freight traffic increased from 350,000 tons in 1983 to 594,000 tons in 1988, the recovery is modest compared to the 1,600,000 tons carried annually in the mid-1970s. Passenger traffic has increased from 2 to 2.2 millions a year over the same five years (having dipped even lower than its 1983 level in the middle of that period). The slower rate of recovery of passenger numbers reflects not only the constant lack of passenger coaches but also the World Bank and government priority of refocusing GRC on the more profitable freight business. The company's losses continued to grow until 1993 but since then have decreased, and, if depreciation costs are taken out of the equation, there was an operating profit in 1996.

The workforce of GRC has more than halved over the last 20 years. In 1978 the company was employing 11,000 people. This figure has reduced to 4,500, largely by not replacing workers who have retired. There has been an embargo on recruitment, which has left labour gaps, especially in track maintenance. In addition, in 1993 more than 1,000 workers were made redundant. According to the unions, the severance terms were poor and most of those who lost their jobs have gone into the informal sector, in small-scale trading and crafts, although there have been no small business loans made specially available.

The next stage of restructuring

While the unions view the limited degree of GRC's recovery as a product of the limited character of the RRPs and their effectiveness, the World Bank and the government have argued that they demonstrate the limits of restructuring and the need to privatise the company. In 1995, a study was commissioned from a Danish consultancy, DanRail. The terms of reference involved identifying how GRC could become financially self-sufficient, and included specifically identifying potential areas for private sector involvement. The study was completed in October 1996. Its main recommendations can be summarised as:

1. Employment should be reduced from 4500 to about 1600
2. The private sector's involvement is a necessary condition of financial self-sufficiency.
3. GRC's functions should be divided into core and non core activities, and each opened up to private sector participation.
4. The core activities -- defined as infrastructure, traffic and workshops -- should also be separated from each other and opened up to private sector participation.
5. GRC's management systems, including budgeting, costing and inventory control, should be reorganised..
6. The government should be committed to the restructuring process..
7. The government should take over debt and finance retrenchments.

The government's view is that the report provides a good identification of the problems but fails to understand fully their origin and consequently does not always identify solutions suited to the Ghanaian context. The union commissioned a counter-report, supported by the Ghana Trade Union Congress (GTUC) and carried out by Dr. A. F. Gockel of the University of Ghana. Unions and management have gone on to co-operate in putting forward a position paper outlining ideas for restructuring without privatisation.

While the GRC managers believe that some further reduction in employment will have to follow from increased productivity, they believe the proposed loss of 2900 is too much, and that any reduction should be gradual. The unions share the view that further job cuts are inevitable, but emphasise that much more attention than in the past must be paid to severance terms and to putting in place a set of accompanying measures.

Both management and unions also accept that privatisation of non-core activities could reduce costs and thus enable the company to refocus resources on rehabilitation and improvement of GRC's core activities. Activities including coach cleaning and security have already been contracted out, but a scheme to contract out track maintenance has failed because it depended on the participation of local communities alongside the railway who were not trained properly or paid regularly.

Unions and management oppose the division of the core activities into separate entities, on the grounds that, while they are functionally distinct from each other, they require vertical integration. Therefore, while supporting some organisational separation, they believe the activities should remain within one overall corporate body and management structure.

The government has agreed to give the management-union approach a try, with the proviso that if it fails, a concession along the lines of the Ivory Coast model could follow. However, this consensus is now under strain from strong World Bank pressure on the government to go for a concession more quickly. The World Bank's opposition could scupper the restructuring approach, since it would require the Bank's financial support.

The unions are not opposed in principle to the concession idea, but they have yet to be consulted about it and are especially concerned about severance terms, the future of union representation and the rights and conditions of employment of rail employees. The Ghana TUC, supported by Third World Network's African Secretariat, has established a committee to develop a common approach to the future of the public utilities.

7. Some tentative conclusions

The Ivory Coast concession is being presented by the World Bank as the showcase model of rail privatisation in Africa. In effect, therefore, given the Bank's predisposition in favour of the concession approach to restructuring, it is also becoming a model of how to tackle the many problems of investment, management and customer satisfaction faced by railways in Africa. This seems premature. If it is too early to judge the Ivory Coast case a failure, it is also too soon to declare it a success, particularly since the intended levels of investment have yet to materialise. Moreover, there is reason to believe that if the same levels of loan finance that is promised under the Ivory Coast concession had been available to the state-employed managers, the problems privatisation is intended to tackle could have been solved, without the risks associated with private monopoly.

It is not too late to learn the lesson of the latter point for Ghana. The rail unions there have declared a commitment to change, and in working with management to turn GRC around appear to be showing what can be done with a co-operative partnership approach to modernisation. The benefits of such an approach could extend well beyond the current period of transition, since effective industrial relations and a workforce which feels it has a reasonably secure and valued stake in the future of the service have often proved to be conditions of sustainable success in restructuring. The indications that the World Bank is unwilling to support these efforts is, therefore, regrettable. Worse, since restructuring, by whatever method, demands investment, it could prevent those efforts from succeeding.

It is against this background that a political concern that privatisation entails a sort of re-colonisation can be understood, since assets and services established for colonial purposes, and shaped by them, are perceived by many as returning to the control of business interests dominated by foreign, white-led companies when their ownership or control is privatised. Any evidence that institutions dominated by the West and North have a standard model they are out to impose on African countries, without enabling alternative approaches developed within those countries a fair chance of success, can only fuel such concerns. In addition, running railways only for profit could lead to economic and social damage, because nascent and established activity in the regions can depend on infrastructure and services which may not be commercially viable in the short term.

The World Bank and others might argue that those and other public policy concerns can and should be incorporated into concession terms, so that the benefits of public ownership and democratic accountability can be combined most effectively with private management and finance. However, if it is reasonable to question the ability of the state in West African countries to run railways efficiently, and right to condemn widespread corruption, it is certainly prudent to doubt the capacity of those states to adequately regulate the activities of multinational companies running railways. Therefore, whichever approach to the future of railways a country chooses, development of state capacity is a condition of success. The recognition by the World Bank's *World Development Report 1997* of the role of the state and the need to build its capacity is, therefore, to be welcomed. It remains to be seen how that recognition will be carried into operational practice.

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