INTRODUCTION

There are now unmistakeable signs of movement towards political liberalization and more representative and accountable government in sub-Saharan Africa. While the political benefits are unambiguous, there is a strong expectation that these political reforms will result in better economic and social performance. This is an expectation of many African politicians and the major aid donors, especially if the political reforms are accompanied by recourse to greater market systems of allocation. How plausible is this expectation?

There has been a long debate conducted by political scientists, political philosophers and political economists on whether democracy or authoritarian rule is more likely to be compatible with development. There is also a substantial empirical literature which has tried to test past experience in developing countries against hypotheses about regime type and economic growth and equality.

It is important to distinguish between the implications of regime type for (a) the economic and social performance of the countries concerned and (b) the type and quality of state economic policy and management of public resources. Much past empirical work has focused on the former. Indeed some scholars would take the view that the performance of different regimes can only be judged on the final outcomes in terms of economic growth or equitable income distribution or quality of life indicators (Sirowy and Inkeles 1990). Performance can also be measured in terms of intermediate outcomes such as inflation, savings and investment rates or exports which are highly relevant to final outcomes. However, final outcomes are much affected by factors beyond the control of governments. It is therefore more useful to examine the effect of regime type on the character of public policy management.

We consider political reform to mean changes which have some or all of the following characteristics:

- Political liberalization: greater freedom for the individual from arbitrary arrest; greater freedom of association; freedom to advocate political alternatives and to criticize without fear; constitutional changes which break the monopoly of the single party or ruling elite and allow non-violent competition between ruling and opposition parties through periodic, free and fair systems of elections.

- Greater political accountability: more transparent and open state procedures; greater willingness of the state executive to consult a wide range of interests in society before taking major policy decisions and other actions; and limits on the tenure of the chief executive.

Among the countries of sub-Saharan Africa in the last few years the rate of political liberalization has varied considerably. Few regimes as yet have shown much evidence of open, consultative, accountable political behaviour. However, some (e.g. Zambia, Cape Verde, Benin) have already implemented fairly radical constitutional reforms and held free and fair multi-

1 Some of this literature has been reviewed in Healey and Robinson (1992).
partly elections in which the ruling party has been voted out of office. Some have accepted the principle of multi-party elections but are following protracted paths towards them (e.g. Tanzania, Ghana, Kenya, Cameroon). Others have still to accept these more democratic principles (e.g. Malawi, Zaire).

Our assessment of prospects for improved economic policy formation and public sector resource management has certain features and limitations. First, the approach is rather formal. Adequate answers to some of the questions require deeper knowledge and insight into African culture and politics. Second, the speculation is about the effects of political change over the whole decade of the 1990s, looking to a time when the governments of African countries will have greater freedom in the handling of domestic economic policy and public expenditure. Currently the external agencies are thought to have more influence over these areas than at any time in the past. Third, we need to look back to the 'perceived weaknesses' of the policy process in sub-Saharan Africa in the 1970s prior to the much greater external financial and aid influence on policy formation since this gives a more realistic starting point when looking at domestic prospects (see Killick 1992). Fourth, we draw on studies of the developing world during the post-independence period, with all the qualifications implicit in assuming that past experience will be some guide to the future in one specific and perhaps unique continent.

We look at three major areas of weakness in the policy making process and the content of policies in sub-Saharan Africa as a starting point for exploring how far these may improve with political reform in the 1990s.

a An inflexible policy agenda which failed to adapt to, or be more appropriate to, the needs and changing conditions of African economies.

b Inadequate scope for market pricing and allocation mechanisms.

c Poor policy design, implementation and lack of credibility due to unpredictability and inconsistency of policies as well as arbitrary implementation.

d Weak management of public sector finances with lack of control over public sector budget deficits; financing instruments for public expenditure which stimulated excessive inflation and did not encourage public savings; public expenditure allocation and use which did not pay enough attention to efficiency and productivity.

ADAPTABLE AGENDAS

A major puzzle for much of the later 1970s and early 1980s for observers of the African economic scene was why so many regimes persisted with policy agendas which were manifestly not appropriate to the conditions facing their countries even if they may conceivably have been so when first introduced. Since this was a period when authoritarian regimes were well established in many African countries it is reasonable to ask whether experience might have been different under systems with (a) more freedom and less repression and (b) more competitive politics.

There are some strong reasons why political freedom to scrutinize, express criticism of existing policy without fear of retribution and to air alternative ideas and agendas, seem a necessary condition in Africa for more adaptable state policy making in future. First, policy making has been very state centred, with small closed élites making decisions with little or no wider consultation. Second, the civil service has tended to lack the independence, influence and skills to make the political leadership conscious of the need for alternative approaches. Third, the centralized power of autocratic political leaders and their adherence to certain approaches has often limited feedback of what was going wrong with existing policies and hence slowed the process of modifying or reversing economic strategies. Fourth, the weakness in the organization, resources and effective lobbying of civil society groups, including modern economic interest and pressure groups such as business organizations and trade unions in most African countries, means there were no strong pressures from outside, or from below, on the policy making élites. These groups would no doubt have been stronger and more articulate were it not for repression as well as processes of co-optation. The lack of freedom of expression discouraged the development of professional and other institutional capabilities which might have generated a more lively and informed debate on the working of policy agendas. Some interest

3 We must not exaggerate the influence of foreign aid and finance agencies. The initiation of new economic policy agendas that have occurred in a number of countries in the 1980s has largely been a domestic political decision even if the design and content of the policy has been subject to much external influence (Nelson 1990) and policy changes have been only partially influenced by conditions attached to external flows (Mosley, Harrigan and Toye 1991).

4 See Healey and Robinson (1992), Chs. 4 and 5 for a review of the literature on the political explanations of policy making in the 1970s and 1980s. See also World Bank (1989).

5 Some scholars do not accept that the relatively weak non-state social groups in sub-Saharan Africa have been passive. According to Bayart (1986: 113-4) '... the state has been damaged by the constant pressure of those social groups and their ever-changing tactics: revolts, refusal to grow certain crops, declining productivity, strikes, abstention from elections, migrations ... smuggling, the flourishing of informal exchange ... Civil society takes its revenge on the state and contributes in no small measure to its economic failure.' However to rely on 'exit' rather than 'voice' to change ineffective and irrelevant official policy agendas risks great delay in the process and for some rulers an apparent willingness to allow unimpeded decline.

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groups which might have favoured different policy agendas (e.g. ethnic minority business groups) would have been muted by the generally repressive and threatening climate.

Other interest groups which may have been better-off under a different, perhaps more liberal economic policy agenda, were probably more bought off by patronage, subsidy or protection than discouraged by an illiberal atmosphere.

Political liberalization would seem therefore to be a necessary condition for more flexible policy agendas, but it seems unlikely to be a sufficient one. The relative weakness of civil society interest and pressure groups in most African societies means that freedom to voice concerns and interests alone may not place sufficient pressure on state executives. The latter are not likely voluntarily to seek or encourage consultation of outside interests unless they are put under strong pressure. In Zambia, for example, even before the recent political reforms, the press and specific interest groups were able to express criticism of ministers and their policies (though not the President) under certain conventions (Lungu 1986). Yet this unusual feature in Africa did not ensure timely change in the economic agenda for diversification, budget control, or other long overdue economic reforms.

The single party system has suppressed public debate of alternative policy options. Where national assemblies exist under single party systems, they often consist of appointed or co-opted members as much as elected ones. A climate of greater freedom of expression in this situation is therefore unlikely to have much impact on the scrutiny and debate of policy agendas. Even where members are locally elected and genuinely represent constituencies, this is probably still true. Personalities rather than issues have been the main concern in both past and recent elections. If issues are prominent they have been local rather than national ones. In any case, neither freedom of expression nor representation seem sufficient to ensure an effective role for legislatures in making and scrutinizing policy. They must have effective power of approval over policies and laws proposed by the executive. This only seems likely with a genuine multi-party system, and hence is contingent on the existence of a legal opposition which can potentially take power. But will the introduction of multi-party systems in Africa, as well as greater freedom, be sufficient to induce more flexible and adaptive policy agendas which change in a timely way and not just under 'crisis' conditions?

The existence of opposition parties or groups which have a formal basis for gaining power should focus feedback and criticism on the incumbent regime and its agenda, discipline the ruling party through its need to seek re-election, and encourage modified, differentiated or completely new policy agendas as a basis for gaining popularity and access to power via free and fair elections.

So much for the theory. Limited African experience of multi-party politics casts some doubt on whether it will necessarily work out like this. First, in countries where multi-party politics have prevailed for long periods, the emergence of different agendas from the opposition parties has not been a great feature and one party has tended to dominate. In Botswana — a rare case of prolonged multi-party politics in Africa — one party has dominated. It has for many years followed an agenda founded on prudent macroeconomic policies which has contributed significantly to the relatively high long-term economic growth rate. It has also pursued public policies which preserve a better balance between rural and urban interests than many other African economies. Scholars differ on how far Botswana's policy agenda is explained by its multi-party politics. Some see the consultative, responsive and incremental nature of the policy making process as partly a function of electoral pressures (Harvey and Lewis 1990). Others point to the weakness of independent pressure groups, the passivity of the National Assembly in relation to policy making (though it has supervised an effective audit mechanism and a rigorous system of accounting controls) and the opposition party's lack of interest in raising and debating alternative policy agendas (Holm 1988). Diamond (1988) does not believe Botswana's relatively successful economic policy record is explained by its adherence to more democratic procedures, but that the record gives legitimacy to a ruling political class and a highly trained, and relatively autonomous, bureaucracy.

Second, in countries like Ghana the implicit philosophy of 'winner takes all' for its constituents rather than a battle over policy agendas has predominated during periods of elected civilian governments. Economic management does not seem to have been improved during Ghana's democratic episodes though there was not really enough time for a fair trial (Chazan 1988).

Third, any newly legal opposition parties will lack experience and may not generate well formulated and workable alternative agendas very quickly. If the new opposition parties contain a high proportion of those who have been associated with previous authoritarian regimes (as some fear in Cameroon and Ghana) they may lack a new view on development policies quite apart from their doubtful democratic credentials and credibility. There is also a more insidious danger. If it is enough for the opposition merely to criticize and attack the personalities and actions of the existing, usually long-term, and unpopular incumbents of state power in
order to gain power themselves, there may be little need to put forward any constructive alternative agendas in advance. African electorates, often with low education levels, very limited knowledge of economic concepts, and inexperienced in the ways of an electoral democracy, will hardly put much rigorous pressure on new parties and successor regimes.

Fourth, how far will democratic politics encourage opposition parties to develop and research alternative diagnoses and agendas for multiple national economic problems? The development of an independent indigenous 'think-tank' capacity is an important element which the World Bank and bilateral donors are sensibly encouraging; it could play a vital role in the 'supply side' of democratic politics in Africa in the 1990s.

DEMOCRATIC POLITICS AND MARKET-ORIENTED POLICIES?

Throughout the 1980s, and in some cases on into the 1990s, policy agendas in Africa remained predominantly committed to administrative regulation, allocation and pricing, and few countries followed market mechanisms in key areas such as exchange rate and foreign exchange management, domestic credit and crop marketing. There is considerable evidence that this approach inhibited incentives to better economic performance and adjustment. Limited shifts have been made in these policy agendas in the latter half of the 1980s, as much from external pressures as from conviction.

Looking ahead to the remainder of the decade in Africa, why should we expect more open, competitive politics to encourage or to sustain policies which give greater weight to market allocation and competitive pricing systems for products and the economy as a whole? The question is all the more pertinent since the colonial experience and the association of market and profit making cultures with foreign entrepreneurs and exploitation remain powerful influences on the intellectual position of many educated Africans.

Under more open and liberal political systems there is reason to think that citizens and interest groups which wish to exploit their entrepreneurial capacities will lobby for the greatest freedom and assistance in doing so. The intensity of this pressure depends rather crucially on the strength of the indigenous business class and how little it has depended on making profits from state protection and monopoly. Such a class has not been a feature of most African societies.

Little research exists on these particular relationships for Africa or developing countries as whole. One problem is the very small sample of countries which have been reasonably democratic in the developing world, while systematic comparable measures of a liberal economic policy stance are not easy to find. In a recent empirical study, the authors have assembled and examined indicators of the degree of state interference and distortion in pricing systems among both African countries and most developing countries and how far these policy indicators related to the nature of each country's political system (Healey, Ketley and Robinson 1992). Measures of the observance of political and civil rights were used for the classification and ranking of individual countries. The policy indicators included the size of the fiscal deficit, forms of taxation, the stability of real effective exchange rates, and the premium on black market rates.

Few of these policy indicators proved to be systematically related to any particular categories of political regime between 1976 and 1988. We concluded therefore that on present indications there is no clear assurance that democratic political reform would help sustain more liberal economic policies in sub-Saharan Africa, although there is no reason to expect performance to worsen. The extent of acceptance of economic liberalism may depend on factors other than the political rules and procedures. These include the prevailing ideological perspective of the key political personalities involved, deep seated cultural orientations, administrative capacities, particular experience with such policies in economies which suffer from lack of natural resources, small markets, poor communications, vulnerability to external market conditions, etc.

POLICY FORMATION, CONSISTENCY AND CREDIBILITY

Economic policy formation is the process by which policy and expenditure measures are chosen to meet the objectives set by the policy agenda on criteria such as the scale, probability and timing of their effect in meeting targets such as inflation reduction, balance of payments viability, increased savings, and the efficient allocation of resources. It is also the process by which consistency between policies is sought so that they will be mutually reinforcing, and by which trade offs are made between the effects of different policy instruments on different objectives and sections of the population.

How is this process likely to fare under more competitive politics? A key factor here is the organization, skills and ethos of the public administration. The weaknesses and the often declining standards of public administration in many parts of sub-Saharan Africa may well be more influential in the policy formation process than the rules for changing and choosing the political leadership.

The expected greater responsiveness of politicians under more political competition should also encourage
greater consultation by their bureaucracies, especially with those who will be affected by the proposed policies, whether as producers, users or consumers. The bureaucracy in turn might be more encouraged and willing to collect information and statistics on the likely impact of their policies, both existing and proposed. Politicians who seek election and the support of their citizens on the basis of performance and not coercion, may well encourage their public administrators to set up mechanisms and procedures to consult outside interests in the design and monitoring of policies and public expenditures. The public will have a greater inducement to enquire and to know what is happening in a more liberal society.

It might also be expected that in a more participatory political environment, the freer articulation and representation of public policy positions by various professional, commercial, agricultural and other interest groups as well as greater public debate, parliamentary scrutiny and criticism, should inevitably influence the formation and implementation of policies, laws and public services.

It is premature to draw conclusions from limited evidence of current political reform, but there are some early encouraging signs from Zambia, a very interesting case study in how major political reform may work in practice. In the short period since the new government came to power, mistakes have been made by inexperienced and over zealous ministers, yet the press, parliament and other institutions have reacted quickly. One observer feels that an increasingly vigorous press, well informed back-benchers, an independent judiciary and critical clergy more than make up for lack of a well organized parliamentary opposition (see Hall 1992).

Whether broader awareness, the increased availability of information and greater societal pressures will result in 'better' policy outputs is an even more difficult question. The management of many sectional pressures by balancing the interests of one group against another and achieving some sort of consensus consistent with a workable policy under democratic rule is not a skill easily acquired, and African bureaucracies and politicians have not had all that much practice in doing so in the past. There is also a difficult borderline in participatory politics between, on the one hand, responding to self-interested and often rent-seeking pressures which are usually not in the interests of the wider community and, on the other hand, responding to the legitimate interests of producers and consumers who are affected by policy change and entitled to have their views and concerns heard and taken into account in policy formation and implementation.

To achieve consistency among specific policies is clearly more difficult under such political conditions, as experience showed in the brief period when Ghana had democratically elected government in 1969-72, which was 'unable to withstand partisan pressures from below' and 'public institutions were penetrated by every conceivable interest' (Chazan 1988: 119-21). Handling this aspect of policy management is more difficult when the public administration lacks independence and knowledge and in some cases is divided along ethnic lines. A refurbished civil service will be required in many countries to make effective policy under democracy. A reformed and revitalized civil service has not so far been a high priority for incumbent African political regimes. It seems even more vital under a more open political system.

Under democratic politics there should be a reduced element of surprise for private economic agents as well as more information on likely policies since they should be aired more fully both before elections, and after them. Policies should therefore be more credible. In principle a democratically elected government should be better understood in what it will try to do and be less likely to 'trick' its own people (see the section below on inflationary financing).

Patronage and clientelism have taken much blame for bad economic policies and poor policy implementation in sub-Saharan Africa (see especially Hyden 1983; Joseph 1983; Sandbrook 1985; Herbst 1989).

The pattern of policy has often been frozen in African countries for long periods because of the ruling regimes' fears that change in policy and public expenditure allocations would disturb the narrow client base and carefully balanced coalitions based on patronage. In Kenya this has certainly been the case, most obviously in reaction to the liberalization of grain marketing (Mosley, Harrigan and Toye 1991 Vol 2). The allocation of credit, foreign exchange, public expenditure and project finance on the basis of clientelist criteria rather than broader economic or social priorities are most commonly laid at the door of the patronage culture. Other policy distortions from this source include the proliferation of inefficient parastatal bodies and their weak commercial objectives and mismanagement.

A key question therefore is what will be the future of patronage under multi-party politics in sub-Saharan Africa? One rather sobering reflection is that in countries like Ghana and Nigeria, patronage became even more intense during episodes of competitive politics. We also know that patronage systems are a strong feature of democratic politics in other developing countries. For example, some scholars place a high responsibility on patronage in Indian democracy for the unproductive handling of public sector resources (Bardhan 1984). In Jamaica also
clientelism has been a strong feature of competitive politics though its impact on economic policy and performance is less clear (Stone 1980). In the competitive political system of Mauritius, patronage has not prevented a fairly continuous adjustment of economic strategy (Shams 1989). An elected government will however have a 'legitimacy', which may reduce reliance on patronage and thus formulate policies which reflect an economic rationale for the whole society rather than rents, favours and exceptions for favoured parts of it. Perhaps the main concern is that policy agendas of the political parties will depend too much on their different patronage networks so that major societal groups will be purposely excluded from effective representation and benefits under the ruling single party or coalition as happened in the last democratic episode in Ghana. This would not be conducive to political stability, the longevity of democratic rules, nor policy agendas which serve wider and national interest objectives. It would also create uncertainty about the future of any particular policies implemented and hence their credibility.

THE MANAGEMENT OF PUBLIC FINANCE

Several questions are of relevance here. First, will increased political competition and openness mean more responsible control and financing of public sector deficits? One of the main deficiencies of policy or policy implementation in the past has been the large and unpredictable size of budget deficits, and the scale of recourse to borrowing from the monetary authorities to finance them. The result has often been the postponement of the burden of financing public expenditure and the generation of inflation rates which have caused much distortion in the economies and discouraged production for the domestic and export market as well as foreign investment.

Second, how might this change under more democratic politics? The judgement clearly depends quite heavily on whether elected governments think they will ever be re-elected and hence take a responsible long-term view of public finances. It also depends on how far democratically elected governments can handle two somewhat opposing forces. One is the greater public expectations which elected (especially new) governments will face; these will tend to pressure them towards meeting current demands. The other is their enjoyment of political legitimacy compared to their authoritarian, repressive predecessors, which will allow them to make more difficult economic decisions.

Third, what does comparative experience in developing countries since the mid-1970s tell us? Healey et al. (1992) ranked developing countries on indicators of respect for civil and political rights and found that those ranked lowest had larger average fiscal deficits as a per cent of GDP than those ranked highest on these political criteria, although the correlations were not statistically very significant. At the same time, the proportion of public deficits which are financed by borrowing from the domestic monetary authorities were greater in the more authoritarian regimes, although again the correlation was not statistically significant.

Some recent work by Edwards and Tabellini (1991) relates the scale of country budget deficits and their financing from the monetary authorities to measures of frequency of both constitutional and irregular government changes in 52 developing countries for several periods between 1963 and 1988. One significant feature of their results is that both the financial variables appear to be more strongly associated with the frequency of unconstitutional changes of government than with frequency of constitutional changes. They are therefore consistent with the view that constitutional systems favour governments which, despite frequency of change, are more fiscally responsible.

We certainly know from much recent work on the politics of stabilization (Remmer 1986; 1990; Nelson 1990; Mosley et al. 1991; Callaghy 1990) that democratic regimes have been no more reluctant to initiate stabilization programmes than authoritarian ones though there is some evidence to show that more democratic regimes may have more difficulty in bringing high inflation under control (Haggard and Kaufman 1990). Economic stabilization has been specially difficult in highly polarized societies though existing research seems ambiguous on whether new democracies find it more so than established ones.

Fourth, will more representative government affect the mobilization of public revenues? The largely authoritarian governments of sub-Saharan Africa have not been noted for their search for wider and deeper sources of tax revenue so much as heavy recourse to inflation taxation. It might be expected that representative governments — usually being more legitimate and associated with a respect for the rule of law — would be more willing and able to extend the tax system, reduce evasion, increase the tax-take and perhaps directly tax income and profits in a system where votes rather than patronage predominantly determine political support and survival. Authoritarian governments lacking legitimacy, but having greater coercive power, might be able to control and enforce compliance at borders and hence favour higher border taxation and tax rates. However, none of these hypotheses, to the extent that they could be tested from easily available comparative tax data for developing countries, found any support during the period 1976-88 (Healey et al. 1992). There was no evidence that the 'total tax-take' was greater in countries with
more liberal and democratic systems. Even allowing for the influence of structural variables on tax patterns (i.e. income levels, share of trade, agriculture, mining, etc.), there was still little to suggest from past experience in developing countries that we can expect the scale or pattern of taxation to be any different under a more liberal political culture.

Fifth, will political reform bring a change in the pattern of public expenditure? Governments which depend on keeping and gaining power through elections rather than repression and coercion appear to devote relatively less expenditure to defence and security, and more to social sectors such as health and education, though evidence is not available separately on primary expenditures (Healey et al. 1992). Agricultural expenditures were more weakly related to country records on political and civil rights. These outcomes would be expected since more democratic regimes should be responsive to popular needs, which is encouraging for Africa. By the same token, such governments might be expected to disperse their public expenditure more widely, in rural as well as urban areas, and would probably seek more neutral terms of trade between rural and urban activities; but these presumptions have not yet stood the test of time.

**FINAL REFLECTIONS**

Political liberalization *per se* is unlikely to be a sufficient condition for much improvement in the quality of policy making and public expenditure management. A move to full political accountability with the ending of one party politics is also essential. The most encouraging feature is that developing country experience since the mid-1970s suggests that constitutional governments seem more likely to handle public finances responsibly and have more concern to avoid inflationary financing of such deficits even though they seem unlikely to be any more effective either at raising current tax revenues or funding themselves in less regressive ways. Democratic rule should therefore assist economic recovery and growth.

There are grounds for believing that improved political and civil rights might also contribute to economic and social improvement through reduced expenditure on defence and relative increases for beneficial sectors such as health and education. In the past, increased education has been associated with higher productivity and *per capita* economic growth in the low-income countries, but for those who believe that a key to better economic performance in sub-Saharan Africa lies with more liberal economic policies in terms of market pricing and allocation, there is little evidence from the developing world as a whole that these are closely linked to political liberalization and democracy.

There must remain some doubts about the role that patronage will continue to play after political reform and also about the adaptability of policy agendas and the design of more effective and credible policies even with a more responsive political system. Much will depend on the skills and integrity of both the new politicians and the public administration following reform of the political system.

Overall, public policy and economic prospects should not become systematically worse in sub-Saharan Africa under democratic rule. There is much scope and considerable hope for improvement, but this will require skill, institutional strengthening, as well as constitutional change. Better economic management is not guaranteed; it has to be worked for and it would be unwise to encourage excessive expectations at this stage.

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