Democratisation and Economic Liberalisation: Twin Transformations in Africa

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AFRICA'S POLITICAL & ECONOMIC REFORMS IN COMPARATIVE PERSPECTIVE

The current orthodoxy in western thinking, both by aid professionals and politicians, and mainstream academics, about the appropriate path for development in Africa is to urge a programme of political and economic reform. The economic prescriptions are for a liberalisation, often articulated within a 'structural adjustment programme' (SAP) which may be sanctioned and perhaps financially supported by the international financial institutions (IFIs), and even have been devised by them. These packages, when put together with the support of the World Bank (WB) and the International Monetary Fund (IMF), usually included stabilisation measures to overcome immediate and massive debt and foreign payments imbalances - devaluation of 'over-valued' currencies and freeing foreign exchange payments; ending import licensing, differential tariffs and other restraints on foreign trade; reduction of government expenditure to balance budgets - plus measures to promote an alternative, 'adjusted' development strategy that would not be so prone to destabilisation. These latter switching policies included changes in pricing to give more incentives to producers of 'tradeables', mostly raw materials for export and food; ending subsidies to consumers and to loss-making parastatal enterprises often engaged in import-substituting industries; and generally a reduction of the role of the state and the size of its bureaucracy. The actual SAPs attracted special loans designed to provide foreign exchange in circumstances where it was no longer available through other channels, to overcome the shocks these economies had suffered and the short-term social and other costs of this kind of adjustment. The availability of such SAP loans through IMF and WB were often the crucial lever which convinced governments, that were often unconvinced about the prescribed strategy, to accept the whole package including its long term change in strategy. It should be added that a further logic for SAPs at a more global level was that they offered the IFIs the alternative to mere project loans, and thus the ability to shape overall development policy, that they had been contemplating for some time.

The political reforms have been a more recent, added feature of western prescriptions for Africa, emerging only in the 1990s. Even in the Cold War period, there were concerns in aid circles about human rights issues. Some western governments and the European Union had restricted aid to emergency relief measures and would not contribute to development aid to certain regimes: Ethiopia under the military regime, for instance. However, such concerns were limited to human rights rather than broader issues of democracy, were applied inconsistently as some authoritarian regimes were tolerated as long as they were allies in the global struggle rather than neutrals. There was also a tendency for development theorists and practitioners to see 'strong' governments rather than democratic ones as the best kind of 'development state' at least in the early stages – a view which I will explore more fully below. Thus the active promotion of democratisation, human rights and 'good governance' – another term that will require further elaboration – and efforts to use aid as a lever toward acceptance of these goals from 1989 onwards mark a new emphasis in western policy if not a complete change of direction. It is still too early to assess fully these initiatives toward 'political conditionality', even to be clear what western aims are, let alone their contribution to actual processes of political reform. This difficulty of assessment arises not only because political reform is more difficult to measure than the development effect of economic reforms like SAPs. Whereas there is some degree of consensus about what 'development' is, although much debate about the policies for achieving it, the western powers themselves give different meanings to the very goals of 'democracy' or 'governance'. In practice, African governments have been encouraged toward multi-party systems in place of single or no party regimes and competitive elections, free media, improved human rights and better public administration (as some dimensions of the new agenda or 'governance' used to be called).

The aim of this paper is to understand and critique these two sets of reforms, first at the level of western thinking and justification for such policies, and then to explore the extent of such reforms, focusing especially on how far external powers and agencies have contributed positively or negatively to these goals. One particular concern will be to explore the interconnectedness of the political and economic reforms, again both at the level of the new orthodoxy that now sees democracy as the handmaiden of development and in terms of the actual practice. Specifically the appropriateness of the extreme forms of economic liberalisation which western governments and the IFIs have urged on Africa will be questioned. This questioning will extend to the more recent variants of SAPs which have tried to respond to critiques of the 1980s by calling for a reduced role for a more effective state in economic development and for greater emphasis on poverty reduction. Accepting the potential for democratisation to facilitate rather than impede development, the paper will suggest a formula for political change and a different linkage between participatory politics and the relative roles of the state and the market in development.

In pursing those objectives it is often instructive to see Africa in a more comparative framework as both economic liberalisation and democratisation have also been on the agenda in other parts of the world.

In eastern Europe and the former Soviet Union, the knocking down of the Berlin Wall and the end of the cold war marked the change from the communist system, a process that involved simultaneous efforts toward political and economic reform. Among those countries the processes and their outcomes, insofar as one can draw any conclusions, have varied. In seeking to shift from a political system where governmental activity was completely underpinned by a communist party, competitive elections have lead to a multi-party system in countries like the Czech Republic and Hungary, while in Russia parties have not yet been fully institutionalised; in Central Asia and former Yugoslavia elements of the role of apparatchike continue but operating under nationalistic rather than communist ideological frameworks. Likewise, while all claim their object is a market economy and in fact 'central planning' mechanisms have been everywhere discontinued, the 'shock treatment' pattern which involved a complete embracing of a market economy and an urgent timetable has been pursued in Poland and Russia, but the withdrawal of state control and ownership, and the speed of change has been less in other countries.

Whatever the differing paths and pace of change within the former 'soviet bloc', the different countries share some commonalities in their starting point which distinguishes their experience from those of many other parts of the world that have undergone what seem to be similar changes toward a more market-oriented economy and a more democratic political system. Not only has the starting point been different, the phasing has also differed. China seems to have managed a transformation to some kind of market economy while generating rapid growth rather than decline, but has also postponed political reforms – a correlation that would be unwise to consider as causally connected. Latin America has undergone democratic change largely in the period before the end of the cold war, often preceding market-oriented reform. Africa shares with the East a simultaneity of the two processes, but in many countries the beginnings of economic change was in the 1980s, while political reform has mainly been a phenomenon of the 1990s. In fact while, 38 out of 45 Sub-Saharan African states had single or no-party regimes in 1989, 30 have moved to pluralist systems and held some sort of elections since then.

ROLE OF THE STATE & THE POLITICS OF ECONOMIC LIBERALISATION

In mainstream western economics literature the issue of the market economy is most often posed in terms of a debate between state and market. Conventionally, within that perspective, some state role has been justified as a corrective to one kind of 'market failure' or another: e.g. correcting business cycles, producing public goods, limiting monopolies, concern for poverty etc. More recently, the fashion has been for more economists and policy makers to come down more heavily on the free market side of such balances, highlighting in the process 'state failures': government monopolies, misinformed policies. Beginning in the 1980s, official opinion in much of the third world and in eastern Europe has shifted, sometimes under the enforced circumstances of structural adjustment pressures mentioned above, to share this kind of free market orthodoxy dominant in the west.

This new, market orthodoxy has lead most African countries to undergo major economic liberalisation, over half of them through some SAP. These have spawned a vast literature and been the subject of many critiques. in the 1980s, one of the most common criticisms was that measures to cut public spending inevitably reduced social expenditures on basic education, health, etc, and had a severe impact on the welfare of the poor. The World Bank accepted many of these criticisms and has been advocating and supporting maintenance of those expenditures and actively promoting 'poverty reduction' (World Bank, 1990b). Economic policies of allowing prices of food and agricultural, and other raw material prices to rise may have increased rural incomes. However, other aspects of SAPs - foreign trade and payments liberalisation, and the all too often decline in industrial production - have often countered any benefits to rural producers by increased price of imports and the sheer absence of many locally produced commodities. Question marks still are posed about other aspects of SAPs, even by the WB itself (world Bank, 1989b). There is no clear evidence that this kind of economic liberalisation has actually yet lead to any noticably faster growth; they have not generally raised the rate of investment and have not lead to the flourishing of private investment. The availability of external capital flows has not been very marked beyond the specific SAP loans extended by WB. The economic reforms have continued to be premised on a completely open economy strategy, a process reinforced by the agreement on the Urguay Round of GATT. This dimension is still problematic to many in Africa, seeming to eliminate the levers that could be used to fellow a long-term path of development, whether import-substituting, export-oriented or an alternative. Equally, the advice in SAPs to concentrate on the comparative advantage of existing tradeables, not only precludes diversification and thus stages of progress, but if proffered to all African countries and their competitors will further worsen their terms of trade.

Initially SAPs were premised upon an extreme view that favoured a very limited role of the state and a determination to reduce it to a minimalist role. The implicit critique was in part shared by radical scholars of the left who shared the view that access to state resources was used by political elites to increase their consumption and if allowed by the ideological climate to thereby accumulate capital; such public resources were also used to buy some minimal amount of political support through patronage networks, often of an ethnic sort. But from this analysis emerged a contradictory perspective: a determined, if not extensive, state was necessary to create the conditions of due process of law and contract, to curb corruption and in general to make the economic reforms that among other things would reduce its role. The resistance of existing power-holders was seen as the main reason SAPs were not leading to economic progress; it was not the shortcomings of the policies, but their non-implementation which was to blame, according to the IFIs. This kind of concern was behind a post-1989 growth of commitment to political reform: the importance of answerability, participation and the need for efficient, clean administration – what came to be known as the governance agenda (see below).

Before considering what have been the implications of this revision of the role of the state in Africa, and contrasting such trends with similar ones elsewhere, the several economic roles of the state need to be distinguished. Beyond the minimalist role of setting the legal parameters for a free market, states might play the developmentalist role of charting a long-run strategy, a crucial element in East Asian growth strategies. Crucial to that role would be the management of external economic relations – the foreign exchange and trade regimes. It is precisely that prospect that is placed beyond the realm of African states by the SAP type economic liberalisation. Intervention to smooth out the distortions of the market, particularly to reduce poverty and inequality, is an element that new SAPs have tried to restore, but the means for poverty reduction fall short of any reallocation of resources, such as land reform – likely to be the basic issue of the late 1990s in Africa. This redistributive role of the state is partly dependent on the ability to tax, particularly the better-off. But it is precisely that capacity which many states have lost as a combined result of the financial and fiscal stringency of SAPs, but also of the political contradictions that they face – especially in the aftermath of some political reform. Their immediate political constituency among the elites will not allow the taxing of the rich to provide those services for the poor on which their legitimacy depends.

All capitalist states have also taken on a range of direct productive activities in the post 1945 era. It is this area of activity that SAPs have been focusing on in the 1990s and this will be the focus of the next section.

Privatisation

The desirability of privatising state enterprises, the actual progress in doing so and the consequences, and the prospects for alternative policies now are issues which in part depend on the shape of the economy and the past patterns of nationalisation. In these respects Africa's situation is quite different from that of former soviet economies, but also from countries like India or other vast countries, and from the NICs. But they also vary between countries in the same region, for instance, southern Africa.

A significant role for state economic institutions emerged in Africa in three different political-economic contexts. A number of Southern African States, Mozambique, Tanzania and Zambia, undertook strategies after their independence supposedly giving expression to varieties of socialist ideology, whether 'marxist-leninist', 'African socialist', or 'humanist'. In such countries the 'commanding heights' of the productive sectors of the economy were nationalised. Many other African countries that articulated more explicitly capitalist or pragmatic development strategies, like Kenya, Malawi and Cote d'Ivoire, nevertheless, organised their development efforts around a central statist focus. The state's specific role covered attempts to control agricultural marketing, partly to channel them into infrastructural development (by the state) and state-subsidies to import-substituting industrialisation, but also as the basis for personal accumulation by officials.

Some analysts, including seminal studies by the World Bank (1989; 19??) and radical critics of them (Bangura, 1992; Beckman, 1992), have with some justification lumped together these 'socialist- and capitalist-oriented' patterns, the latter writers referring to them as "state capitalist expansion" or "state-led, nationalist development". Certainly both sets of states maintained and intensified state control of external economic links via exchange control, import licensing and tariff structures which had been set up under colonial rule, and adding new institutions in the form of central baks and state-owned or state-licensed commercial banks. Both sets of states also carried in and intensified state provision of physical infrastructure and social services. However, while these similarities mean that there is also some comparability in the issues posed by privatisation and the more general rolling back of the state that has occurred in the last decade, it glosses over one significant difference in the specifics of the previous pattern of nationalisation. In many of the latter group of countries the state's crucial role was as much a vehicle for a 'dependent' private accumulation via the state: officials and politicians benefitted by acting as agents of state marketing or foreign exchange allocation in stitutions; parastatals acted as umbrella organisations for private business, often owned or fronted by politicians. In the 'socialist' countries, there was more of a process of genuine state accumulation: even though some corrupt practices helped boost the style of life of officials, it did not encourage the same degree of private capital accumulation. That being said, the process of privatisation did allow the conversion of such systems of mainpulating public enterprise to actual accumulation – as has also occurred in eastern Europe.

A third pattern which also provided for a large state owned and controlled sector existed in southern Africa's settler colonies, especially Zimbabwe and South Africa. They had experienced patterns of partial industrialisation which shared with some Latin America cases, a strategy of developing basic industries – iron and steel, electricity and other power – under state firms, with private firms dominant in manufacturing. African-dominated governments have inherited these public, capital goods industries, but now face international pressures to privatise them.

In these complex and varied contexts, western governments and the IFIs tend to urge blanket privatisation in the long run of virtually all state enterprise, and the immediate end of subsidies to them. This aspect of the SAP policy orthodoxy has in fact received much greater emphasis in the 1990s. However, the different contexts for contemporary debates about privatisation reflect not just the ideological circumstances in which state ownership emerged but also the different economic structures of the countries concerned. For instance, in Zambia the decision to nationalise the 'commanding heights' led to the nationalisation of the copper mining industry which provided over 90% of foreign exchange and a third of state revenues. In heavily agriculturally-oriented Tanzania and Mozambique, parastatal organisations were primarily concentrated in the few manufacturing establishments, and were supposed to spearhead import-substituting industrialisation.

There is an obvious and important political dimension of any privatisation, for the process is directly redefining the role of the state and creating particular 'private' institutions which will replace parastatals. But there are other aspects of the political context that shape the internal debate on privatisation and which are in turn affected by it. As with other major structural adjustments toward market economy, the dispersal of state enterprises profoundly affects different classes and interest groups and in differing ways workers may face reductions in employment and wage levels; farmers stand, in theory, to gain but may lose from deregulation of agricultural marketing. The loss of state-control over resources, just like the trend toward reducing state revenues, curtails the subsidisation of inflated consumption habits, and in some countries the private accumulation of capital, by power holders, which will likely be resisted unless the mode of privatisation offers richer pickings. How these interests come out of the economic transition will obviously be affected by any concurrent changes in the political balance of forces and in the political system.

Two more general political consequences can be noted. If through privatisation and other measures, the state's direct control of the economy is whittled down to only a few sectors, and its instruments for leverage of the overall economy have been reduced by deregulation, liberalisation and an open economy, the range of decisions that are in the public domain will be greatly reduced. Thus even if formal democratic desicion making is enhanced, popular influences over policies about development and public welfare will still be greatly reduced – a point well made in relation to eastern Europe (Andor, 1995). The second political consequence is that any possibility of state-led development under a nationalist coalition with a kind of implicit social contract (Bangura, 1992) that was pursued in the post-Independence period is foreclosed by the specific shift to market economy that have occurred – even though that project had often been undermined by self-centred short-termism of political leaders and by conflict. That realisation in turn raises questions as to whether the alternative path offers any more effective road to development, which is debateable on the evidence of the first decade of adjustment in an Africa that can boast no 'miracles'. But even more problematic is the issue of what new social contract could conceivably be the basis for the legitimacy of the new political and economic set-up.

Awareness of the differing contexts of the various state enterprises reveals some of the obstacles which are delaying the implementation of this pattern of private capital and the rule of the market in practice. A discussion of those differences helps to understand the very different outcomes of privatisation and their implications, and also suggests the need for policies that are less ideological and often a more nuanced mix of public, private and perhaps cooperative ownership. Some examples may illustrate the SE issues: the obstacles to privatisation, its patterns and doubts about its appropriateness. Brief consideration will be given to issues of privatisation in the following sectors, minerals, manufacturing, basic industries, agricultural marketing, and baking, in the context of different countries of eastern and southern Africa.

Minerals Zambia's dilemmas about private versus state control are very different to those in South America and Zimbabwe. While the latter two countries depend on mineral exports for their largest share of foreign exchange earnings, they are nothing like as dependent on a single product nor are minerals so overwhelmingly vital to balance of payments, government revenues and employment. Zambia is an extreme example of a mono-cultural economy – despite sharp falls in the price of the one major export, copper, from the 1960s, and subsequent decline in tonnage produced. A measure of the effects of this dependence is offered by the fact that import capacity in real terms declined by the late 1980s to less than half of the values of the early 1980s.

Zambia had in fact nationalised the two international corporations that owned the major mines in the 1960s – an act that did not unduly upset the corporations as they were guaranteed earnings and repayments over a period during which profits had disappeared as a result of falling prices. Public ownership did prop up export and employment levels beyond what would have happened under free market conditions – indeed the industry might not have survived – but only at the cost of massive government subsidies. Although, it also has to be admitted that state management was such that extra resources, especially of technology and spare parts and the foreign exhange to purchase them, was not allocated to allow the mines to take advantage of a price recovery in the late 1980s by increasing production. This patter was repeated in 1994–5 when world prices have once again risen, but the underlying running down of the economy and of the processing capacity for refining copper again meant that no advantage was taken of high prices as output fell. This period of high prices does provide an incentive for private capital that might be interested in acquiring the mines, and the external actors pressures on Zambia to privatise have become intense in recent months. However, even though privatisation would reduce the subsidies, a new Zambian Government, more wedded to the market principle than its predecessor, still faces the harsh choice that privatisation might eventually lead to closure of mines, when the global market becomes unfavourable again.

A further practical problem arises of exactly how to privatise: a high-technology mineral industry is dependent on imported equipment and access to foreign markets, which might be best obtained through some partial or complete take-over by a multinational corporation. But which one would be prepared to pay even a modest price for a low-prices, loss-making industry? The import and foreign requirements plus the scale of operation mean that there is little chance of domestic capital being able to tale over. A process like that which has occurred in Russia's state-owned primary products sector whereby state managers 'assign' assets to themselves at give-away prices is less likely in Zambia, or if it were to occur where fewer managers have a high level of technical expertise, the result might well be the selling off and dismantling of the physical resources rather than the retention of the productive capacity. Continued state participation may thus be more appropriate, hopefully with improved management and access to foreign exchange, but the necessary rehabilitation and long-term strategic planning for rationalisation of, and diversification away from, copper are likely for the present to give way to short temr, crisis-management decisions when question marks about the status of the industry exist.

Zambia's problems of handling this central issue of privatisation are complicated by the process of democratisation. The country embraced multi-partyism, held elections in 1992 which replaced the hold regime with a political movement based on a coalition of social forces including professionals, unionised workers and the business community. In a society that is 50% urban, far more than in other African countries, the loss of jobs in the state and parastatals that occurred in the 1980s and 1990s as a result of market-oriented policies is even more catastrophic and the possibility of further losses through privatisation would start enormous political shockwaves. Already the uneasy coalition of forces that backed the new ruling party has unravelled, and the government seems to have lost the backing of workers and professionals.

Consideration of the importance of access to international markets and technology and the danger of having to subsidise might well have been taken into account in Zimbabwe, where the Independence government has done little to take over private raw materials capital, even though that government was more radical in its rhetoric than the Zambia counterpart. Likewise in South Africa, the ANC's economic programme makes no mention of nationalising the enormous primary products enterprises under the Anglo-American and other corporations.

Basic industries These two latter countries have come under major pressure to privatise, including industries like Iron & Steel which were public enterprises under the apartheid/settler colonial regimes. For example, the 1995 annual Consultative Group meeting of donors to Zimbabwe criticised the failure to bring government deficits under control, highlighting among other instances continuing subsidies to the Zimbabwe Iron & Steel Company (ZISCO). Much of ZISCO's capacity has been lost by the problems of upkeep and replacement of old plant, first during the period of trade sanctions before Independence and then because of foreign exchange limitations during the 1980s. However, refurbishment is going ahead but this will only be possible by adding to the Company's existing debts of z 2bn. Prospects of privatisation are limited, so the possible effect of the marketeers' pressures for removal of subsidies will be the eventual closure of all or part of this strategic industry. The SAP for Zimbabwe does accord it some temporary tariff production against South American imports, but without some overall regional or bilateral trade agreement some protection would be needed. The problem of this industry underlines a more general issue about the future impact of post-apartheid South America's economic relations with its neighbours - still to be clearly defined: now political barriers to economic cooperation have gone how will southern African countries avoid becoming just markets for a dominant South American economy? The market will not automatically provide a solution that will benefit the peripheral parts of this huge region.

In South Africa itself, some initiatives to privatise industry was a feature of the transition period leading to the first non-racial elections - but there the rational was to try to wrest some resources from state control so as to retain them in the hands of whites before the state itself became multi-recial. Political pressures from the ANC, trade unions and even international opinion limited this process.

Manufacturing Industries Several southern and eastern African countries in the first two decades of Independence set up state development cooporations which were holding companies for a range of subsidiaries of previously nationalised or state-initiated enterprises of an import-substituting type. The policies for restructuring the economies along free market lines have usually urged the dismantling of the overarching holding companies, and the separation of the several subsidiaries and their exposure to competition and/or their privatisation. Some industries and enterprises have so little prospect of eliminating losses, especially after losing productive capacity, whether under private or continued public ownership, that declaring them bankrupt may be the most appropriate means to rid public accounts of the massive subsidiaries. This avenue has to be considered in a context where the massive injections of public funds to ensure profitability which have been the prelude to privatisation in western Europe are clearly beyond African states and are not contemplated by the international donor community. In fact, some limited donor finance has gone into attempts to refurbish parastatals, but where this has not been (enough for) a success, the rigid repayment requirements now preclude such enterprises being declared bankrupt, even if that were deemed desirable. But external donors' regulations and internal policies designed to protect productive capacities and employment have not always prevented industries being closed down, where there are no private takers. The largest textile factories in Tanzania are among several manufacturing plants that have been closed down.

At issue in this sector is very much the matter of the mode of privatisation, where they survive. They do lend themselves to the 'piracy' method seen in Russia and eastern Europe, whereby managers acquire these public assets, often through obscure processes and at little expense. This possibility is heightened in Africa as the liberalisation of foreign exchange access means political elites can now repatriate the rents they salted away in foreign banks in earlier periods. Although whether they choose to invest in productive industry rather than in property or commerce remains doubtful in practice. The main alternatives would be acquisition by international capital, which might be the foreign partners often involved in joint ventures previously.

Agricultural Marketing It had been a common feature in many colonies in Africa for state bodies to handle the marketing of export and sometimes food crops, often under monopolistic conditions. Apart from the logic of centralising the handling of the produce of large numbers of small peasant producers, the rationale was also to facilitate accumulation through the appropriation of a surplus from the rural sector. In most countries these bodies were retained after Independence, but with very different records of performance. In many countries they developed large and wasteful bureaucracies and practices, which inefficiencies were amplified in some cases by their being vehicles for patronage and even corruption. But this maladministration and wasteful rent-extraction was not universal. Thus in Zimbabwe, marketing boards inherited from a period when they were to support white commercial farmers, they provided relatively cost-effective services, prices that offered incentives guaranteed before the planting season, and which equalised prices between regions and types of farmers. And yet they have been subject to pressure for competition if not complete replacement by private merchants. The specialist export boards have had monopolies ended, but the Crain Marketing Board remains. Its role in food security and in making food available to the vulnerable in times of crisis, most recently in the 1992 drought, has left it with a massive debt, that makes its replacement difficult – and from a broader, social perspective inappropriate.

Kenya offers a counter example where arguments about the need to preserve food subsidies and guaranteed food to the poor in recent droughts are used by power holders to resist pressure from the WB and bilateral donors to liberalise the grain market. This 'economic' policy area is in fact a major arena of political struggle as power holders strive to retain a monopoly of resources crucial to the corrupt patronage system which shores up the political position of a regime that has only reluctantly and partially democratised and which continues to infringe on human rights.

'GOVERNANCE'

Further exploration of the specific agenda of political reform might start by exploring the perspectives on this question that are currently influencing international actors. Rather unpredictably the World Bank has secured for itself a similar central role of coordinating donors and of articulating an orthodoxy in respect of political change – what might be termed the 'governance' agenda – as it more logically did in economic adjustment.

This term has in fact been given great prominence since 1989 in the context of efforts by the western powers to promote political reform in eastern Europe as well as in the Third World. It has become a key concept used to indicate the aims of this process of intervention to change the shape of political systems, through aid conditionality and support for specific initiatives. The World Bank can claim much credit for the re-emergence of the world. It was first used in a land mark report on Africa (World Bank, 1989b) which offered the conclusion that the state was patrimonial and thus prone to misapplication of jobs and resourcs and even corruption. On this basis reform of governmental institutions and practices was considered to be a precondition for rational economic management and especially for SAPs. This approach was not only a new departure for a body which was supposedly not to interfere in politics, but also represented a shift in the kind of orthodoxy espoused by the WB, which had tended to have a cosy co-existence with authoritarian regimes, at least if they were in any sense 'development states'. Typical perhaps of this view was a statement from 1983 of Deepak Lal, an academic economist but also a senior WB official in the 1980s, gouted in Toye (1992): "A courageous, ruthless and perhaps undemocratic government is required to ride roughshod over these newly-created special interest groups". Now the WB view had shifted to one that saw the necessary interconnectedness of development and democracy. The historical and theoretical links between the two processes has always been hotly debated and although still inconclusive some surveys (e.g. Rueschmeyer, et al, 1991) are persuasive about the positive correlation.

The shift in the WB view is hardly to be explained by their coming inexorably and logically to a definitive view about a necessary, historic relationship between democracy and development, or to its staff becoming converts to democracy. It did owe something to their reviews of SAPs, for the conventional wisdom about the politics of adjustment recognised that although many of the rural people would in the end gain from the process, their support for such policies would not easily be heard in existing political contexts and would not be available in the short run when the urban 'elites' would start making their loss of advantages known. And in that extent the justification for governance reform was related in their thinking to poverty reduction concerns. Poverty was seen as a result of the politics of urban bias. To this diagnosis, the Africa Report of 1989 added the view that the problem of implementing SAPs, or indeed any rational strategy for growth and development, stemmed also from the personalisation of power, widespread corruption, the denial of human rights and non-accountable and non-elected governments. The regimes tended to represent those 'special interests' referred to by Lal, that reaped the benefit from state-structured opportunities for 'rents'. Economic reform thus needed political reform and liberalisation and through a fairly immediate transition not just in the long run, while in the short run SAP loans might buy off the most vocal opposition to such reforms. A similar logic was soon to be applied to eastern Europe.

The most significant influence in shaping this new WB agenda was, in fact, the global shifts from 1989 with the end of the communist economic and political systems and the response by the western powers as they sought to ensure those systems were replaced with a free market version of capitalism and political pluralism. Encouraged by their first apparent successes, they in turn sought to apply the same enforced democratisation to developing countries. The WB was seeking to play its place in these managed reforms. With the IMF it had already talked itself into the leading role of designing, coordinating strategies for transition to the market economy, and had moreover been assigned the task of monitoring the extent to which external nostrums had been taken - and thus sanctioning accompanying transfers, or not; thereby acquiring much increased legitimacy as the shaper of orthodoxy and also much power. This position was useful in seeking to play the same leading role about political reform.

But an obstacle had to be overcome in the form of its official Articles of Agreement which expressly limited the WB from interference in the political affairs of countries. 'Governance' was the neutral phrase that came to the rescue. A 1992 WB Report on the subject defined it as:

> the manner in which power is exercised in the management of a country's economic and social resources of development.

Two of the three aspects of which it was supposed to consist - the processes by which that power is exercised and the "capacity of governments to design, formulate and implement policies and discharge functions" - were legitimately the concern of the WB, although it foreswore involvement with the third aspect the form of the political regime. But even here the WB left itself room to encroach; in its role as chair of the Consultative Group Meetings which had become increasingly important in coordinating policies of all donors with respect to a particular country, the WB gave itself the right to communicate the Groups recommendations and conditions, even on this third area, to the government concerned.

In line with this last position, the WB has for instance been involved with coordinated donor demands on Kenya and Malawe that multi-party constitutions and elections be introduced and human rights be respected. It has chaired meetings of the 'Consultative Group' of donors for these and other countries which have insisted on these changes by withholding aid. In the Kenya case WB continues to chair CG meeting which monitor and criticise that country's human rights abuses. The last in July 1995 threatened more withholding of balance of payments support in the teeth of a worsening human rights record. The in-country WB representative chairs regular donor meetings in Nairobi, which at the time of the major political crisis preceding and following the 1992 elections were taking place one a week.

That this formally non-political body should play this coordinating role in relation to political conditionality is untenable - an augument that is even heard among bilateral aid officials. One alternative would be for a UN body to play this role instead, and in some countries the UNDP does present an alternative focus and a different face with respect to both economic and political policy. However, in the context of the World trade Organisation and in the wake of the Mexican financial crisis of late 1994, any such effort to have global governance of investments, would have to take in the major multinational private funds - hardly likely in practice.

These latter may have little interest in the niceties of human rights or democracy so long as there is 'sensible' public monetary policy.

In its own practice, the WB is involved in positive programmes of support for 'governance' reform. These typically involve training and advice in such fields as civil service reform, legal reforms both in drafting laws and improving judicial practice, privatisation, but there are general loans for projects in institution building. The Bank also claims that its overall programmes and projects are having a governance dimension injected into them by providing in agreements for participation of beneficiaries, economic management systems, decentralisation and capacity building. The Bank defines its efforts of this sort as fitting within four main headings: public sector management, accountability, legal framework for development, and transparency.

This formulation points to a continuing ambiguity about its policies on political conditionality and promotion of political change, and perhaps internal division within its ranks. At one level, as indicated above, the Bank has identified itself with the broad sweep of democratisation and liberalisation being promoted by the west, and in some respects seeks to play a leading role despite the constraints of its mandate. On the other hand, its own programmes as well as some of its formulations seem to restrict political reform to improved economic management.

This latter emphasis seems to be especially true of the governance programmes promoted in eastern Europe and central Asia where the main concern has been to redefine the role of the state in the economy. The WB's specific programmes have included advice on the processes of privatisation, on drafting of laws on money, debt, property rights, banking, bankruptcy, contract, companies, minerals, rights of foreign investors and land laws. (In this last area it has seemingly tended to recommend decollectivisation and outright private ownership in the east, although with regard to other parts of the world it has drawn back recently from private ownership because of fears of generating and confirming a landless element, and in one of its poverty pronouncements was actually calling for land reform.) The WB's institution building loans have gone into macro-economic management, aid coordination, budget management, customs services, etc.

It may be useful to assess what this agenda of governance has meant in broader terms by looking at two areas: human rights and participation. As regards the former, it is interesting that the WB sees its contribution as "embodied in its strategy on poverty reduction through economy-wide and sectoral policies that encourage rural development and urban employement and through the provision of basic services to the poor" (WB, 1994). The degree of impact is thus a function of the success in poverty reduction. What is interesting to note is that implicit in this statement is a view which sees human rights as broader than individual, civil rights.

Paradoxically enough, the WB comes down on the side of those seeking to define human rights to include the right to economic and social well-being.

It claims to be promoting participation through 'policy dialogue' with recipients, and also in the design and implementation of its own projects to 'improve country ownership of projects'. But thus far these have been more at the level of research, discussion sessions and training.

This latter issue is intimately associated with one basic and glaring problem in any process of promoting participation, accountability, transparency or even more broadly, democratisation. That concerns the WB's own procedures and its own structure. It has at least recognised that there is a risk of inconsistency here and its most recent report on Governance does discuss this. However, it restricts its proposals to policy dialogue and to making its own thinking explicit. But transparency is not the same as answerability, and even transparency depends on the whim of its senior personnel as long as the WB remains one of the least answerable of world institutions.

Like poverty reduction, governance might go out of fashion as quickly as it has come in. The only long run answer to that is for the WB to be held to account by some UN or other international body that represents the voice not just of major donor goverments and commercial bankers who put up loans.

PROGRESS & PROSPECTS FOR DEMOCRATISATION & COMPATIBILITY WITH ECONOMIC LIBERALISATION

Some brief concluding remarks may start by noting the outcomes of the political transitions mentioned earlier. It is too early to say how many of the political reforms are sustainable. In only a handful of cases, like Zambia, has multipartyism lead on to a change of regime. This was also the outcome in the special cases of South Africa and Namibia – but even there a political compromise has limited the degree of social and economic change to the apartheid disparities of income and wealth. Elsewhere pre-emptive concessions from above have more often lead to ruling regimes retaining a position as dominant if no longer sole party. This party may at least have improved freedom for political expression and human rights – although that may be quickly eroded – for instance in Kenya. Such precariousness of hard won reforms is a result in part of the difficulty of meeting any of the aspirations of the formerly disenfranchised in the context of economic liberalisation under SAPs. Also in part they point to the limitations of political transitions in which external pressures are central. The evidence is beginning to show that efforts to create conditions for the strengthening of civil society and support for organisations free of state control may have more long run resonance with internal forces for reform than imposing of conditionality.

Finally, the question must be posed, although, difficult to answer, as to whether the twin processes are mutually reinforcing or whether they should be simultaneous. A superficial comparison of Chinese and Russian experience may lead some to conclude that democratisation should be postponed until market reforms are institutionalised and have generated growth - although whether Africa's starting point in any way makes Chinese patterns a model is problematic. Such thinking accords with some of the ideas of modernisation theorists of the 1960s and others who seem to see advanced development as a precondition for democracy. The new consensus in the west is a departure from this, asserting as it does that some democratisation is a precondition for market reforms and growth. The World Bank (1992c) itself admits there is little decisive theoretical or historical basis for this assertion. One of the most thorough explorations of this issue (Rueschmeyer et al., 1991) does take a more positive role. But also suggests a critique of a stance on the part of the west that starts by advocating a questionable free market economic doctrine and then is simply instrumental in its approach to politiccal reform, seeking to find a limited political formula that will facilitate and legitimise the market strategy. Democracy is worth pursuing in its own terms.

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