

Hamdok, Abdalla

**Working Paper**

## Governance and policy in Africa

WIDER Discussion Paper, No. 2001/126

**Provided in Cooperation with:**

United Nations University (UNU), World Institute for Development Economics Research (WIDER)

*Suggested Citation:* Hamdok, Abdalla (2001) : Governance and policy in Africa, WIDER Discussion Paper, No. 2001/126, ISBN 9291900753, The United Nations University World Institute for Development Economics Research (UNU-WIDER), Helsinki

This Version is available at:

<https://hdl.handle.net/10419/53084>

**Standard-Nutzungsbedingungen:**

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

**Terms of use:**

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*



United Nations  
University

**WIDER**

World Institute for Development Economics Research

Discussion Paper No. 2001/126

## **Governance and Policy in Africa**

Recent Experiences

Abdalla Hamdok\*

November 2001

### **Abstract**

The recent emphasis on governance in Africa is unique in that it was initiated by donors and not by domestic leaders under pressure from their own constituencies. Thus while many countries have embraced the market economy and liberalized their policies, issues related to political participation, democracy, and institution building have proven harder to tackle. This paper is a review of the good governance debate in Africa. It argues that good governance presupposes the existence of effective domestic institutions. It is only when these are in place and functioning that we shall begin to see a change towards more inclusive policy making.

Keywords: governance, accountability, economic reform, politics

JEL classification: P16, O55, K4

---

Copyright © UNU/WIDER 2001

\* United Nations Economic Commission for Africa

This study has been prepared within the UNU/WIDER project on Institutional Capabilities, Reform Ownership and Development in SSA, which is directed by Steve Kayizzi-Mugerwa. UNU/WIDER gratefully acknowledges the financial contribution to the project by the Government of Italy (Directorate General for Development Co-operation)

*UNU World Institute for Development Economics Research (UNU/WIDER) was established by the United Nations University as its first research and training centre and started work in Helsinki, Finland in 1985. The purpose of the Institute is to undertake applied research and policy analysis on structural changes affecting the developing and transitional economies, to provide a forum for the advocacy of policies leading to robust, equitable and environmentally sustainable growth, and to promote capacity strengthening and training in the field of economic and social policy making. Its work is carried out by staff researchers and visiting scholars in Helsinki and through networks of collaborating scholars and institutions around the world.*

UNU World Institute for Development Economics Research (UNU/WIDER)  
Katajanokanlaituri 6 B, 00160 Helsinki, Finland

Camera-ready typescript prepared by Lorraine Telfer-Taivainen at UNU/WIDER  
Printed at UNU/WIDER, Helsinki

The views expressed in this publication are those of the author(s). Publication does not imply endorsement by the Institute or the United Nations University, nor by the programme/project sponsors, of any of the views expressed.

ISSN 1609-5774  
ISBN 92-9190-074-5 (printed publication)  
ISBN 92-9190-075-3 (internet publication)

## **1. Introduction**

The promotion of 'good governance' has been an important focus and key ingredient in developing efforts for African governments and the donor community since the early 1990s. While the first and second generations of economic reforms emphasized stabilization and structural adjustment, in order for markets to play a greater role in the economies, the current emphasis on governance issues is an admission that the nature of domestic institutions also matters for outcomes. For Africa as a whole, more than a decade of economic reforms had produced only scattered examples of renewed growth and optimism. But even in countries where growth had resumed, the continued weakness of institutions, marked by civil strife and the absence of political pluralism, put the sustainability of the recovery into question. Increasingly, good governance, also implying participatory and inclusive politics, has been identified as the missing ingredient in the reform efforts undertaken thus far.

The focus on governance has also highlighted the broad ranging obligations of governments to their constituencies, hitherto overshadowed by the economic crisis management role that governments have had to play in recent years. These include the establishment and maintenance of law and order, creating transparent administrative structures, extending social infrastructure to the rural areas, protecting poor and vulnerable groups and including them in the decision making process, and the preservation of the peace. The complex informational and financial demands of globalization also dictate that African countries strive after more efficient and transparent governments.

This paper reviews the issue of governance in the context of Africa's recent experience with economic and political reforms. The point of departure is that good governance is a pre-requisite for sustainable development in Africa. Growth and development require a predictable regulatory framework, an effective and transparent public administration, and an independent judiciary, where civilian and business disputes and other legal issues can be resolved and court cases brought to closure. Apart from ensuring the development of a growth-supporting economic and political environment, the above elements are also necessary for securing the legitimacy of the state. However, while it is important for the state to strive to recreate a growth and development enhancing environment, it should be realised that the attainment of good governance is a process, which cannot be obtained by the stroke of the pen as, for example, adjustments in the exchange rate.

The paper proceeds as follows. Section two presents a conceptual framework for analysing good governance. Section three provides a brief historical background to Africa's governance problems, linking it to the growth challenge of more recent decades. Section four discusses the policy implications of good governance and the constraints facing African governments in attempting to achieve it. The paper is concluded in section five.

## **2. Conceptual issues**

Governance can be defined as the science of government behaviour and performance, including the exercise of economic, political and administrative authority to manage a country's affairs at all levels (UNDP, 1997; Dethier, 1999). It provides the framework

through which citizens and groups exercise their rights, meet their obligations and articulate their interests. But while governance systems of various types have been elucidated at various periods in the past, the recent emphasis on governance as an essential ingredient of Africa's reform process is unique in that it was initiated by donors and not by domestic leaders under pressure from their constituencies (Doornbos, 2001).<sup>1</sup> The first extensive discussion of the link between economic performance and governance was undertaken by the World Bank (1989) in its report on economic crisis and growth in Sub-Saharan Africa, at the end of the 1980s. The report marked a turning point, from an almost exclusive concern with issues of economic structure and market behaviour to those of reforming public administrations, giving voice to the population and enhancing the credibility of governments.

As a policy framework, 'good governance' imposes demands on policymakers in their exercise of power. It encompasses (see also Hamdok, 2000; Hamdok and Kifle, 2000):

- (i) An effective state i.e. one that possesses an enabling political and legal environment for economic growth and equitable distribution.
- (ii) Civil societies and communities that are represented in the policymaking process, with the state facilitating political and social interaction, and fostering societal cohesion and stability.
- (iii) A private sector that is allowed to play an independent and productive role in the economy.

All the three elements, singularly and in combination, together with sound economic management, are essential for sustained development as emphasized in recent assessments by the African Development Bank (1993, 1998, 1999a,b). However, while 'good governance' is an attractive concept, it also implies value judgements that might shift between communities and countries. To achieve many of the precepts of good governance, such as increased public sector efficiency or reduced poverty, necessarily implies a loss to some groups. For example, increased efficiency in public service delivery implies that the activities of rentseekers have to be minimized. On the other hand, reducing poverty might call for income redistribution measures, which could hurt the interests of richer groups. Good governance can thus not be achieved in a vacuum and is the product of a bargaining process between the various interest groups in the country. The underlying assumption is that the will of the majority, as expressed via electoral process based on pluralist political systems, for example, is cardinal (Mello and Barenstein, 2001).

Good governance presupposes the existence of effective domestic institutions. While the latter are generally few, those that exist are bound to address complex agency problems. What makes government institutions particularly complex is the hierarchical nature of the political power structures, each level being at once a principal and an agent. For example, while line ministries at the centre are principals for local governments they also are agents of the cabinet, which in turn is an agent of the prime minister or president. The government

---

<sup>1</sup> The UK's Department for International Development (DFID, 2000:2) has, for example, listed seven key capabilities, which governments in developing countries need to develop in order to meet the International Development Targets, which revolve around the eradication of poverty. These touch on many of the governance issues discussed in this paper, including inclusive politics and political and financial accountability.

as a whole has parliament as its principal, at least in representative democracies. Implied is that the people have the ultimate authority in the political process.

Such power structures as presented above would pose few problems if the various relationships between agents and principals were governed by complete contracts. That is contracts made on the basis of perfect information. At each level in the bureaucracy agents would do exactly as prescribed in the contract. However, in the real world contracts are incomplete because information is imperfect and agents have discretionary power. At each level, agents will have information that they do not share with the layer above them in the hierarchy. Principals cannot be sure that once reached contracts will be honoured. They face a moral hazard problem as a result.

In a review of governance issues, Dethier (1999: 6) notes that good development policy involves the design of appropriate incentive schemes and institutions such that agents can pre-commit to good behaviour. Without this, agents will continue to maximise their own utility or that of interest groups to which they belong. In this latter case, public administrations at the various levels will run the risk of being captured by those interest groups. In light of these problems, principals are forced to design incentive-compatible contracts that reduce the gap between expected output and the effort expended by the agents.

In this regard, four interrelated approaches could help reduce conflicts between principals and agents that arise from the information asymmetries highlighted above (Bardhan, 1997; Singh, 1999). First, governments should be able to commit with credibility. Good governance is thus closely related to the credibility that governments can establish with their populations. For example, a government with a reputation for corruption will find it difficult to convince the population that the policies that it is advocating, however good they might appear to be, will in fact be implemented. The low credibility of the government thus exerts high costs of implementation. Failure then becomes self-fulfilling as resistance to the new policies forces the government to abandon them, only to try to implement the same policies in a different guise (see Bigsten and Kayizzi-Mugerwa, 2000). To gain reputation, governments sometimes need to break away entirely from past practices, as for examples when a new government comes to power after an election (as in Nigeria and Senegal) or the guerrilla side wins a civil war (as in Ethiopia, Uganda and Rwanda). Governments might also improve their reputations and gain credibility by agreeing to regional arrangements, which imply the ceding of some sovereignty to a regional authority, as often in the case of currency arrangements or trade policies. Such arrangements tie the hands of the government, enabling the populations to infer that there will be no policy shift in the future. The earlier fear of a policy shift thus dissipates and the government is able to raise its credibility with the public.

Second, administrative systems should be accountable. In recent years, accountability, domestically to programme beneficiaries and other stakeholders and externally to donors with respect to their financial support, has come to comprise a key element of aid conditionality. Donors believe that accountability increases public sector credibility, especially in the implementation of programmes. Governments have sought to enhance institutional accountability by increasing administrative transparency. Proffering institutional autonomy on key institutions such as the judiciary, the central bank and the revenue collection agencies has been important in attempts to raise public sector accountability. Accountability also calls for legal and institutional structures to ensure that

proper accounting procedures are maintained and verifiable standards are set (Collier, 1999).

Third, the political and economic environment should minimize risk, thereby elongating the time horizon of the economic actors. One of the most important tasks of the government is thus the provision of a stable and orderly macroeconomic environment. This enables economic actors to invest long-term, which is crucial for economic development. However, markets in many African countries are distorted or due to earlier regulations do not yet exist. There is clearly a need for an effective regulatory framework since the recent opening up of the economies has led to various monopolies. Along with the creation of effective regulation, governments should make every effort to improve the efficiency with which they provide public services, including education, communications and security

Fourth, it is important that domestic politics encompass most interest groups and that the political system is open to contestation. Ultimately, domestic politics will dictate the speed with which countries can move towards more transparency and increased accountability. While the donor community has encouraged African countries to adopt more pluralistic systems of government, they also acknowledge that sustainable political systems can only be achieved over a long period of learning by doing. Still, few political systems, which ignored political participation, were able to deliver 'development'. It is important to point out, however, that involvement in public affairs need not be confined to elections or to membership in political parties. It can also take the form of engagement in voluntary organizations. For many of these civil society activities to take place unhindered, governments need to minimize the risk of conflict.

### **3. How governance came on the agenda**

At the end of the 1980s, after close to a decade of structural adjustment, and with many African countries in economic distress and deep indebtedness, the governance debate began to feature in policy statements. In her paper on the role of government in economic development, Irma Adelman (1999) has traced the debate on the role of the government in economic development from after the Second World War. In the post-war era of reconstruction, the role of the government was never ambiguous. The state was widely seen as the prime mover. In response to the problems of investment lumpiness, poor infrastructure provision and missing markets, government intervention would ensure that that resources were moved from low to high productivity sectors, also known as the commanding heights of the economy, thereby leading to rapid growth.<sup>2</sup>

There are three explanations for the rise of governance to the top of Africa's political agenda in the 1990s. The first impulse came from within Africa itself. Over three decades after the attainment of independence, many of the hopes that had characterized the 1960s had not been realised. Authoritarian regimes had become the order of the day, while very little development had taken place. The 'strongman' tactics that many leaders believed would ensure national unity had in many cases led to economic decline, fractionalization

---

<sup>2</sup> Adelman (1999: 1) states that it was argued in the post war years that '...uncoordinated investments would not permit the realisation of the inherent increasing returns to scale ... Hence the need for government action to propel the economy from uncoordinated, low-income, no-long-run-growth static equilibrium to the co-ordinated, high-income, dynamic equilibrium, golden-growth path.'

and civil war. Many African countries saw peasants withdrawing from the modern, market, economy and returning to subsistence. There was growing recognition that weaknesses in governance were limiting the payoffs to economic reform (Anyang' Nyong'o 1997, 1999).

Second, the cold war that characterized the era after WWII came to an end with the fall of the Berlin Wall and the subsequent collapse of the totalitarian regimes of the Soviet bloc. Advocates of soviet-type regimes in Africa suddenly lost a strong moral and material backer.

The third reason relates closely to the first two, as a result of which African leaders ran out of easy options for funding their development programmes and armies. As a result of the diminished geopolitical competition between the West and East, mentioned earlier, donors were less inclined to support 'trusted allies' irrespective of their governance record. As a group, the donor community conditioned its lending to improvements in governance, that is to reduction in corruption and to increased domestic political participation. Donors have only been willing to support countries that were demonstrating movement towards more democratic rule, explaining the recent interplay between economic reforms and political liberalization.

The role of donors in the debate and implementation of governance is often contradictory, however (Bräutigam, 2000; Therkildsen, 2001). While donor governments reached the conclusion that project based aid is injurious to the domestic bureaucratic process. The alternative of sector-based aid or budget support is yet to take firm root. Much effort still goes towards implementing projects in which domestic governments have little input (DFID, 2000). This is probably a reflection of the political constraints on donor agencies back home. Voters in donor countries still need to know what impact their aid is having in the recipient countries. On their own, outcomes from budgetary support can not be differentiated by donor input. Even more serious for domestic capacity development is the tendency, marked in the early 1990s, for donors to 'bypass' government in disbursing resources to projects. However, in countries where efforts to improve accountability have been made, donors have been willing to support central budgets directly and to undertake ex post evaluations of their own afterwards.<sup>3</sup>

While African countries have responded variously to domestic and external demands for increased governance, a number of key features have emerged in the past decade to indicate a commonality of experience. With respect to African responses, they can be divided into three categories. The first comprises a limited group of countries that quickly embarked on economic liberalization, but which now need to undertake deeper reforms, including public sector reforms as well as political reforms, to remain on track. Since the early 1990s, many African countries have held multiparty elections, with average voter turnout exceeding 76 percent (Chege, 1999). In many of these, the incumbent regimes have been defeated, while in others the opposition parties have increased their representation in parliament. This marks a sharp departure from past practice where incumbent regimes typically never lost elections and military coups and assassinations were the only means of changing leadership.

---

<sup>3</sup> For example, British DFID supports Rwanda's education sector directly via the budget, with the audit done afterwards by the Crown Agents (see Bigsten and Kayizzi-Mugerwa, forthcoming).



The second group comprises countries, which might have embarked on economic reforms, but with little progress made in the area of governance. In this case, the government finds it difficult to establish a solid domestic coalition for improved governance. The third group comprises countries where little or no progress has been made. Governments are distracted by other concerns such as civil war, with the state machinery all but broken. In this case, the re-establishment of peace and law and order precedes governance issues.

Globalization is another source of pressure on African governments to improve their governance image. With developing countries competing with each other for international investment, experience has shown that funds tend to flow to countries which already have an economic environment that is considered conducive by domestic entrepreneurs. For example, an economic environment riddled with corruption and characterized by a history of capital flight, due to poor economic policies and controls, will not be attractive to foreign investors. Concerns here include the management of intellectual property rights, investor protection, and the setting of labour and environmental standards. Related to globalization is also the issue of neighbouring or contagion effects. The experience of Africa's Great Lakes region has demonstrated that adverse events in one country tend to affect the investment patterns and general economic performance of its neighbours.

Since many African countries are similarly vulnerable, it might be necessary to set up organizations to ensure and preserve regional governance. National attempts at improving governance will then stop swinging to the whims of the government and the reaction of neighbours. Recently, African leaders have been engaged in efforts to co-ordinate development efforts, but outside the strictures of formal organization. Thus the annually held Smart Partnerships meetings of leaders, organised by developing countries to discuss business issues, now attract a number of African leaders. In 2001, a number of countries belonging to the Common Market for East and Southern Africa (COMESA) created an agency (Africa Trade Insurance Agency) to insure firms against political risk. Important to note is that the sums paid out by the insurance agency to cover injury from political disturbances will in turn be reimbursed by the country where it happens. Thus countries will be penalised for being risky political environments and there will be an incentive to lower that risk.

#### **4. Governance and policy in Africa: a cross section of experiences**

While the beginning of the 1990s witnessed a positive turnaround in Africa's economic performance with positive spill-over effects on the region's politics, by the end of the decade the bulk of the economic gains had been reversed. A combination of poor weather, external shocks and civil wars had not only reduced growth in the bulk of African countries, but declining total investments also indicated that growth would remain low in the medium term. However, in spite of the growth setback, the movement towards pluralistic systems of government in many African countries has continued, although the degree of political commitment has varied from country to country (see Freedom House, various issues; Gelb, 1999; Levy, 1999; World Bank, 1997).

The major political change in Africa in the 1990s was the reintroduction of multiparty systems of government. This included the holding of multiparty elections, adoption of new pluralist constitutions and the legalization of opposition party activities. It is noteworthy that the changes have not been confined to particular regions of Africa. Multiparty

elections have been held in Benin, Ghana, Mali and Senegal in West Africa and in Botswana, Kenya, Tanzania, Malawi, Mozambique and Zambia in Eastern and Southern Africa. The latter group of countries has held at least two rounds of multiparty elections in the past decade. In many other countries, there have been significant improvements in the rule of law and civil liberties have been steadily gaining ground.

However, a close look at the experience of individual countries indicates a diversity of experience. Botswana and Mauritius have demonstrated, for example, a capacity to build effective institutions on the basis of democracy and the rule of law. Although the Botswana Democratic Party has dominated the country's politics since independence in 1965, wide political latitude has been given to the opposition. Mauritius has demonstrated, on the other hand, that ethnic heterogeneity need not lead to divisive politics and conflict. It has been possible to include Hindus, Muslims, Creoles, Africans, and Europeans into the political process and thus to defy the view that ethnolinguistic diversity leads to fractionalization and lowers development potential. This has been achieved first through the holding of regular multiparty elections, where political competition cuts across the ethnic divide. Second, the country's constitution ensures a balance of ethnic representation in the top levels of government, regardless of the victorious party. Similarly, political tolerance and inclusive politics have characterized South Africa's transition since 1994, when the black majority assumed power (Chege, 1999).

Evidence from elsewhere in Africa overwhelms the few democratic achievements listed above, however. In the course of the 1990s, many states and regions in Africa seemed to disintegrate into civil war and collapse of the rule of law. These cases are also well represented in all regions of the continent. In Somalia, the clan rivalries following the overthrow of the government in the early 1990s brought the country to the verge of implosion. Liberia, on the other hand, experienced close to a decade of civil war (1989-97), which seriously destabilised many neighbouring countries, notably Guinea-Bissau and Sierra-Leone. Since 1992, the latter has undergone a bitter civil war, whose effects have spilled over its borders into neighbouring countries. Civil wars have raged in other areas of Africa as well, confining the space for institution building and introduction of the rule of law. Though potentially rich countries, Angola and the Democratic Republic of the Congo (DRC) have been severely affected by civil war, in the former case ranging for a quarter of a century. Populations have been displaced and, especially in the case of the DRC, the spill over into the politics of neighbouring countries has been large and negative. The problems of the DRC can in turn be traced to the genocide in Rwanda and the civil war in Burundi. The problems of the Great Lakes Region demonstrate clearly how interdependent countries in the region have become. A concept of regional governance that would ensure a more uniform code of government behaviour could be a useful tool in the search for peace in the region.

Why have African countries, even those which were not directly affected by civil war, such as Côte d'Ivoire, Kenya, Tanzania, Malawi and Zambia, failed to generate sufficient growth and to strengthen institutions in the past decade? While in many countries the poor performance was blamed on adverse weather patterns and international commodity price shocks, there is little doubt that domestic factors such as declining levels of efficiency in the civil service, corruption and the politics of exclusion share some of the blame.

In Côte d'Ivoire, for example, the government resisted adjustment for far too long, partly in deference to its ageing President who had been the architect of the earlier prosperity. For a

commodity exporting country, the maintenance of an overvalued exchange rate was the equivalent of a punitive tax on the countryside. For a long time, the government was able to fund its programmes thanks to commercial loans and to some support from the multilateral institutions. However, by the end of the 1980s, there were increasing signs that poverty was becoming a serious problem, notably in the urban areas. In the countryside, peasants were restive, accusing immigrants of taking their land. There were also increasing demands for multiparty political activity. In retrospect, Ivorian policymakers adjusted slowly to domestic demands for democracy. They also failed to perceive the threats inherent in the failure to address the increasing poverty. Indeed the coup d'état of December 1999 and associated social disturbances emanated directly from the sharp decline of the economy and the uneven nature of the recovery when adjustment policies were embarked on in the mid 1990s. The government's failure to promote more inclusive politics added to the social disruption as well.

Kenya and Zimbabwe shared Côte d'Ivoire's capitalist oriented economic structure, with substantial foreign investments. The three countries had a relatively high level of income inequality, partly thanks to the presence of settlers and other groups that operated estates that contrasted sharply in productivity with the smaller peasant holdings. In both Kenya and Zimbabwe, an entrenched leadership was for a long time reluctant to cede power to younger leaders or opposition groups. Economic reforms became politically difficult to implement, especially when the donor community linked them to democratic reforms. Countries experienced an off and on relationship with donors, with financial support becoming intermittent as well.

Of countries that earlier had professed a socialist approach to development, Ethiopia, Tanzania, Mozambique and Zambia provide interesting contrasts. Tanzania and Zambia are neighbouring countries, which experimented with 'African socialism' from the 1960s, and have so far been spared serious social cleavages. However, decades of government control of the economy led to sharp decline in economic performance. In both countries governments nationalized private companies and subsidies became a key element of government control. This commandist approach to development policy was also evident in politics, where leaders favoured single parties, which exercised influence on all facets of economic life. When the multiparty era was introduced, the opposition party in Zambia won the elections in the early 1990s and it embarked on policies that were lauded as launching good governance in Africa. There was emphasis on human rights, inclusive politics and a free press. The powers of the presidency were also to be curtailed. Few of these promises were realised. Zambia's experience provides a good example of how difficult it can be to transform the political and thus governance culture of countries. In Zambia an added difficulty was that the bulk of the 'new' political leaders had merely switched sides from the previous establishment. As Bigsten and Kayizzi-Mugerwa (2000) have argued in an analysis of the political economy of reform failure in Zambia, policy statements mean little in countries where the administrative and political elite can see few benefits in altering their ways. Tanzania, on the other hand, adopted a more gradualist approach to political reform. A decade after introducing multiparty elections, the political structures are becoming more responsive to the needs of the population, without the country experiencing the fractious politics of its neighbours.

Ethiopia and Mozambique experienced fully-fledged civil wars, which eventually ended, but not before seriously damaging the infrastructure and weakening society at all levels. In the 1990s, both countries embarked on the duo task of economic adjustment and

reconstruction. The nature of the earlier armed struggles dictated that while the economic policies would be similar, the political configurations and outcomes would be radically different. With respect to economic reforms, including some of the more drastic ones related to privatization and retrenchment, the two countries implemented them at a faster pace than their neighbours. The extent of the economic decline in Ethiopia and Mozambique was probably such that policies that promised aid inflows and economic recovery were more effective there than in countries which had not experienced civil war. In politics, the approaches differed markedly. In Ethiopia, the war had ended in victory for the guerrillas, while in Mozambique the government reached a negotiated agreement with its opponents. Mozambique opted for a multiparty form of government with parties free to recruit supporters and to engage in active politics, while Ethiopia settled for a policy, which potentially allowed self-determination for the various nationalities, but without embracing competitive politics. In subsequent years, both countries have attracted a considerable amount of donor support, and their growth rates have been above the African average in the 1990s. Still, Ethiopia was once again engulfed in a bitter war, this time with Eritrea, while Mozambique has been able to undertake a process of national reconciliation and averted the risk of descent into civil war.

In the early 1960s, Rwanda and Somalia were counted among African countries most likely to succeed. They had, at least on the face of it, a homogeneous population, sharing a common language and with no serious religious cleavages. However, they were the only two countries in Africa that imploded.<sup>4</sup> Again the root causes of their instability differed, as well as the pace of their reconstruction. In Rwanda, five years after the genocide of 1994, the government had returned the country to normalcy, with many state institutions including the parliament functioning once again. In Somalia, parts of the country have declared independence unilaterally, while the portion of the country that includes the capital is under a transitional government that has promised to re-unite the country. With the state broken up into bits in Somalia, the issues of accountability and governance have been clearly superseded by those of national unity. Still, it is important for the Somali leaders to assure their subjects that the structures they are trying to put in place are credible and can elicit the support of the international community.

## **5. Policy discussion and conclusion**

A number of lessons derive from this overview of the governance challenge in Africa. First, political leaders have been forced by domestic circumstances and external donor pressure to rethink the role of the state and that of its support structures in development. Redefining the role of the state demands the creation of domestic institutions, including the public sector that are facilitators and not impediments to growth. Since many policies and decisions in government are taken or implemented by bureaucrats, they must have the necessary training and skills to do so. Thus creation of the enabling environment for growth and development entails the attraction of high calibre workers to the public sector and putting in place facilities for training and skills upgrading. However, the government also needs to restructure the bureaucracy, including its size, not only to contain costs but also to enable the government to pay meaningful wages to those remaining behind.

---

<sup>4</sup> It is possible to include Liberia and Sierra Leone, although the two countries never quite reached total collapse.

Second, proper financial management lies at the centre of good governance and accountability. However, in many African countries financial controls within the public sector have been weak, leading to serious abuse and outright corruption. The modernization of the financial system is thus crucial, especially in light of the decentralization efforts currently under way in many African countries. Even here, there is need to raise the technical capacities for budgeting and financial analysis in the public sector.

Third, governments will never be able to meet all society's social and development needs. It is thus necessary to encourage the participation of civil society in the formulation of policies. This, in turn, demands the decentralization of power, to increase proximity to policymakers and to make it possible for citizens to monitor the performance of local leaders. However, mere proximity is not enough to ensure that citizens will be empowered at the local level. They need to be encouraged to participate in decisions that affect them. Decentralization and local empowerment have been identified as key ingredients in any strategy that seeks to promote participation, good governance and accountability. However, it demands financial and human resources at the local level, along with the power to local leaders to manage and allocate them on the basis of local decisions and needs. The centre's partiality for control cannot be eradicated via legislation alone, however. Local governments need to raise their legitimacy by being more efficient at dealing with local issues and at prioritising development needs.

Fourth, the role of the public sector is bound to change with the main tasks being to enforce policies, ensure that markets function properly, and to undertake requisite regulatory measures. The private sector should also be supportive of private sector activities and not be an impediment, as so often in the past. To make the public sector more efficient, governments have created independent agencies that manage key tasks such as tax collection, regulation of key sectors such as communications, and the management of monetary policy or investment promotion. These agencies are allowed to determine their own wage structures and other incentives. However, while service delivery increases as a result, there has been a tendency for the positive effects to level off, often necessitating the 'unclogging' of the systems by laying off workers and employing new ones. 'Atomization' might thus not necessarily be the solution to the problem of low productivity and poor accountability in the public service. It will also be necessary to undertake more holistic measures in order to raise productivity in the rest of the public sector.

Fifth, governance is part and parcel of the political process. Good governance cannot be sustained in an environment that is characterized by exclusive politics. In many African countries the opening up of the political space, including the introduction of multiparty politics and allowing a free press to operate, has raised the level of political accountability, as well as political competition. However, the success achieved falls far short of the hopes raised in the early 1990s, when the process began. The behaviour of the political elite has not changed by much.

## References

- Adelman, I. (1999) 'The Role of Government in Economic Development', *Working Paper No.890*, Department of Agricultural and Resource Economics and Policy, University of California at Berkeley.
- African Development Bank (1993) *Governance and Development: Issues and the Role of the African Development Bank and other Multilateral Institutions*, African Development Bank: Abidjan.
- African Development Bank (1998) *African Development Report*, Oxford University Press: Oxford.
- African Development Bank (1999a) 'Country Policy and Institutional Assessment' unpublished report, African Development Bank: Abidjan.
- African Development Bank (1999b) 'Bank Group Policy on Good Governance' unpublished report, African Development Bank: Abidjan.
- Anyang' Nyong'o, P. (1999) 'The State of Governance in Africa', paper presented at a conference on Good Governance and Sustainable Development in Africa, African Development Bank: Abidjan.
- Anyang' Nyong'o, P. (1997) 'Institutionalization of Democratic Governance in Sub-Saharan Africa', *ECDPM Working Paper No.36*, ECDPM: Maastricht.
- Bardhan, P. (1997) 'The Role of Governance in Economic Development: A Political Economy Approach', paper for the OECD Development Centre: Paris.
- Bigsten A. and S. Kayizzi-Mugerwa (2000) 'The Political Economy of Policy Failure in Zambia', *Working Papers in Economics No.23*, Department of Economics, Gothenburg University: Gothenburg.
- Bigsten A. and S. Kayizzi-Mugerwa (forthcoming) 'Towards Peace, Growth and Poverty Reduction in Rwanda', *Country Economic Report*, Sida: Stockholm.
- Bräutigam, D. (2000) *Aid Dependence and Governance*, Expert Group on Development Issues: Stockholm.
- Chege, M. (1999) 'Politics of Development: Institutions and Governance', presented at the workshop on Can Africa Claim the 21<sup>st</sup> Century?, Abidjan, Côte d'Ivoire.
- Collier, P. (1999) 'How to Reduce Corruption', paper presented at a conference on Good Governance and Sustainable Development in Africa, African Development Bank: Abidjan.
- De Mello, L. and M. Barenstein (2001) 'Fiscal Decentralization and Governance: A Cross-Country Analysis', *IMF Working Paper WP/01/71*, International Monetary Fund: Washington DC.
- Department for International Development (2000) 'Making Government Work for the Poor', *DFID Consultation Document*, DFID Information Department: London.
- Dethier, J.-J. (1999) 'Governance and Economic Performance: A Survey', *Discussion Papers on Development Policy No.5*, Centre for Development Research, Universität Bonn: Bonn.

- Doornbos, M. (2001) 'Good Governance: The Rise and Decline of a Policy Metaphor', *Journal of Development Studies* Vol.37, No.6.
- Freedom House (various issues) *Annual Survey of Freedom Country Scores 1972-73 to 1998-99*, Freedom House: Washington DC.
- Gelb, A. (1999) 'Where Are We Now? Reforms, Performance and Country Groups in Africa', presented at the workshop on Can Africa Claim the 21<sup>st</sup> Century?, African Development Bank: Abidjan.
- Hamdok, A. (2000) 'Good Governance and the Policy Challenge: The African Development Bank Perspective', presented at the Workshop On Evaluation Capacity Development in Africa, Johannesburg.
- Hamdok, A. and H. Kifle (2000) 'Governance, Economic Reform, and Sustainable Growth: The Policy Challenge for International Development Organizations', presented at the First International Forum on African Perspectives on Emerging Africa, organized by the African Development Bank: Abidjan, and the OECD Development Centre: Paris.
- Levy, B. (1999) 'Improving Governance in Sub-Saharan Africa: From "Best Practice" to "Good Fit"', presented at the workshop on Can Africa Claim the 21<sup>st</sup> Century?, African Development Bank: Abidjan.
- Singh, S. (1999) 'The Political Underpinnings of Economic Governance', paper presented at the workshop on Indicators for Monitoring Progress Towards Good Governance in Africa, United Nations Economic Commission for Africa: Addis Ababa.
- Therkildsen, O. (2001), *Efficiency, Accountability and Implementation, Public Sector Reform in East and Southern Africa*, United Nations Research Institute for Social Development: Geneva.
- United Nations Development Program (1997) 'Governance for Sustainable Human Development', *UNDP Governance Papers*: New York.
- World Bank (1989) *Sub-Saharan Africa: From Crisis to Sustained Growth*, World Bank: Washington DC.
- World Bank (1997) *World Development Report 1997: The State in a Changing World*, World Bank: Washington DC.