

## Foreword

Successful implementation of economic reforms, to a large extent, is dependent on the political and social environment in which reforms are introduced. Commonwealth countries have an interest in understanding the political and social dynamics of designing, implementing and managing economic reforms. Accordingly, the Commonwealth Secretariat requested Professor Dr Joseph L S Abbey, Executive Director, Centre for Policy Analysis, Accra, Ghana, to prepare this paper for discussion at the Commonwealth Finance Ministers' Meeting in Mauritius in September 1997.

The experiences with implementing structural reforms have been mixed. Progress in some countries was slow. Changing legal and institutional frameworks, as well as attempts to alter the general structure of the productive economy, were insufficient as the process of change had to be managed within the political context.

The paper emphasises the importance of mobilising political support for the reform process. It identifies the obstacles met at both the design and implementation stages. The balancing of the interests of various interest groups represented a challenge. It also examines the nature of the political environment, information asymmetries, and the competence and capacity of the bureaucracy to manage reform programmes. The role played by donors is also taken up.

The paper stresses that political stability is a *sine qua non* to effective adjustment and economic growth. The paper discusses the new emerging role of the state and provides a range of recommendations that emphasise the need for the state to modernise its processes. Modernisation must go beyond enhancing the technical and managerial capacities of the state and encompass reform of the judicial system and administrative structures. Reforms need to be implemented without compromising the social role of the state in addressing poverty alleviation and provision of adequate social security. The author recommends that public funds to alleviate poverty and deliver social services should come from savings made by reducing the budgetary expenditure of other sectors.

The paper also highlights the necessity of creating, developing and strengthening institutions that are needed to support reforms – regulatory agencies, antitrust and antidumping commissions, export promotion agencies, consumer protection bodies, and social safety-net systems. Key institutions, such as the Central Bank, need to be given greater autonomy in order to protect them from the influences of partisan politics. The independence of such institutions contributes to greater transparency in governance. A balance, however, needs to be struck between the necessity of shielding key institutions from undue political interference and at the same time ensuring accountability and public control. The relevance of these issues has been heightened, as there is a growing awareness that good governance is fundamental to successful implementation of economic reforms.

We commend the author for producing this paper, which was appreciated by Commonwealth Finance Ministers. As a follow up to this paper, the Commonwealth has constituted an expert group to look into issues related to good governance and the elimination of corruption in economic management. It is our hope that this paper will be helpful to member governments in better understanding the complex political processes involved in effective management of economic change.

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