

**“THE ROLE OF GOOD GOVERNANCE IN THE
NATIONAL IMPLEMENTATION OF THE BPOA:
THE NEED FOR A CAPABLE STATE”**

by

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Countries can promote human development for all when they have governance systems that are fully accountable to all people- when all people can participate in debates and decisions that shape their lives... democracy helps protect people from economic and political catastrophe, such as famine and descent into chaos and...can contribute to political stability, providing open space for political opposition and handovers of power...democratic governance can trigger a virtuous cycle of development- as political freedom empowers people to press for policies that expand social and economic opportunities.- UNDP, Human Development Report 2002.

Introduction: The Capable State and Good Governance:

Achieving the objectives of the Brussels Programme of Action for the Least Developed Countries for the Decade 2001-2010 will depend on a lot of factors- internal and external- least of which is the imperative of institutionalization of good governance and a capable state in each member state.

One of the key turn- around in the discourse on development in the last decade or so is the notion of the centrality of the state and its organs in development. This evolution is not accidental. It is an outcome or a derivative of the certain imperatives, chief of which is the fact that in the very recent history of most Least Developed Countries (LDCs) the state was overbearing over extended, stultifying and ineffectual. More than that, its aims and objectives were often times at odds with the interest of the public and hence, it became an impediment to economic growth, political liberalization and human development. This reality often times led to a stiff demarcation of political spaces between the state and civil society. This spatial differentiation resulted in a state of perpetual conflict and mutually reinforcing agendas. The image of the state as a political realm occupied by a rent seeking elite is still a hard one to shed. Yet, one of the important developments in recent development discourse, is that there appears to be some sort of convergence of views between the so called neo-liberal, anti-statist, school and the so-called developmental, statist, about the centrality of the state as an enabler for recovery and renaissance in the LDCs. The notion of the Capable State is gaining

currency in the developmental discourse. The Capable State is deemed a sine qua non for development, even if its role is seen as minimalist. (Onyejekwe, 2001)

Good governance, as a concept, in all its ramifications, has helped to create a positive and responsive dialogue in which the proportionate, yet crucial role of the state is not much in question any longer as it is seen definitely as an enabler rather than an impediment. The notion of the minimalist state has made it more palatable to accept the functional role of the state in the development process. It has even allowed the virulent critics of the state to concede, albeit grudgingly, that the problem of the state in developing countries may have been that it was too "soft" and consequently, ineffective. With the right kinds of institutions, laws, capacity, the rule of law, the state will be positioned to enable the civil society and the private sector to mobilize human and material resources to alleviate poverty in the LDCs. The capable state is therefore a sinequanon for development and hence its capacities, capabilities and effectiveness to innovate policies, implement and sustain them with a focus on eradicating poverty and elevating human development is of paramount importance, more so, given the daunting, multifaceted socio-economic, and political - exogenous and endogenous-challenges faced by the LDCs.

Good governance is also about creating capable states, since the nexus between good governance and development is no longer in doubt. As K.Y. Amoako has said, "A capable state is one in which peace and security are guaranteed over a sustained period. Without peace, there can be no long-term development. And without good governance, there is seldom peace.

The capable state creates an enabling political and legal environment for economic growth and promotes the equitable distribution of the fruits of growth. But growth must also be

coupled with policies that deliberately attack poverty and promote education, health, and social safety nets.

This requires sound macro-economic management, institutional reform, and investment in human resources development. Sustained poverty reduction results when growth is equitable. And the best way to achieve that is by building strong forms of democratic governance at all levels. (Amoako, 2004)

The capable state deals head on with corruption, which impedes development and minimizes the ability of governments to reduce poverty.

The Challenges of Meeting the MDGs:

With varying degrees of intensity, the LDCs confront similar challenges (and perhaps similar possibilities). They are saddled disproportionately with extreme poverty, poor economic growth, environmental degradation, effete state institutions, bad governance, social strife, limited access to basic human needs (food, education, access to clean water and affordable and accessible health care, eradication of communicable diseases and employment). With the onslaught of globalization, they risk further marginalization, in addition to the possibility of not engaging fully to shape the direction of an ever-increasing “global village”. The “knowledge gap” is very illustrative of the constraints of marginalization. It is the case that between 90-95 percent of world research and development spending comes from twenty-two developed nations! They remain vulnerable to the vagaries of “externalities”, and this in turn mutually reinforces their domestic vulnerabilities. A conundrum indeed!

The very likely possibility that most of the LDCs may not meet the modest Millennium Development Goals (MDGs) by 2015 looms very large on the horizon. Many of the major attendant predicates, for meeting these targets, which will require “among other things,

significant and steady increases in GDP growth rates in LDCs of 7 per cent per annum and increase the ratio of investment to GDP to 25 per cent per annum,” appear elusive at the present! However, it must be pointed out that the LDCs are not a monolith, since they are diverse in a number of ways, such as: their resource base, geography, size, colonial experiences and other socio-economic and political variables. This calls for a greater urgency, especially as we review the BPOA and similar initiatives designed to arrest and actually reverse the trends, which we have described above.

Context:

The context in which policies are initiated and implemented must be informed by the socio-economic, socio-cultural and political context, in addition to the historicity of the country concerned. However, development policies must not be held hostage to these objective conditions, since certain values, precepts and objectives have universal import and applicability. The logic of good governance is a striking example. For example, it is no longer a question of whether to democratize or not, rather, it is how to democratize within the socio-cultural and historic context of each state, without which its sustainability, will remain tenuous and dubious.

Although the LDCs face similar challenges, they also have dissimilar socio-political, socio-cultural and geographical/spatial (structural) context. They also differ in their historicity. This has led Peter Blunt to assert that “public service performance and management improvement are hostage to overriding forces associated with the character of governance and the nature of the society in general...too much of civil service reform and management innovation is driven by usually western-inspired ideology and /or cultural hegemony, and not enough by the practicalities of the situation- practicalities that should include questions of culture”. (Blunt, 2002) It is important to bear this all these in mind as we introduce policy initiatives

and reforms which seek to reverse the socio-economic and political malaise, which they all share in common. But at the same time we must avoid dwelling on peculiarities of the member states of the LDCs. A proper balance is an important imperative and a constant framework for initiation of programs of action and reforms.

The BPOA has identified key objectives and priorities for development in the LDCs. It has placed poverty eradication and sustainable development at the top of its agenda of action and at the same time recognizing the imperative of meaningful partnerships with the industrialized and developed world- a partnership that is built on mutual accountability and shared interests. It recognizes good governance as an overarching and cross cutting imperative!

The thrust of this presentation is that while good governance, defined in its constitutive elements and dimensions may not be a sufficient condition for development, it is nevertheless a necessary condition for achieving the central objective of the BPOA. It is also the assertion that good governance has both instrumentalist and intrinsic values, both of which are mutually reinforcing- they both address the totality of the objective of human development. The intrinsic and instrumentalist dimensions are not separable and Amartya Sen rightly points out that poverty is a function of multiple factors, such as the lack of voice and choice in determining one's own destiny, deficits, determined by the absence of fundamental human freedoms and rights, and the absence of material endowments. (Sen, 1999 and Cheema and Maguire, 2002) Sen has managed to weave a convergence between what some people have called the exoteric value of political/ governance. This convergence essentially minimizes the false debate among some development scholars that the bifurcation of the material and non-material dimensions of governance.

We have argued that freedom is an important component of good governance and development. James Wolfensohn, President of the World Bank, articulates clearly that freedom, particularly the freedom of the press has both an intrinsic and instrumental value, when he states answers a question, which he posed on the connection between press freedom and economic poverty.

“What is the connection, then, between press freedom and economic poverty? A large part of the answer lies with corruption, and the fight against it. Studies by the World Bank, for instance, show that the higher the level of press freedom in countries, the greater the control over corruption and thus the greater focus of scarce resources on priority development issues.

A free press not only serves as an outlet for expression, but it also provides a source of accountability, a vehicle for civic participation, and a check on official corruption. A free press also helps build more effective and stronger institutions. By fostering transparency and accountability in both public and private spheres, the media in poor countries are being increasingly recognized as a "development good" capable of contributing to improved government accountability and more effective use of resources.” (Wolfensohn, 2004)

National and Global (Good) Governance as an Overarching Framework for the Implementation of BPOA:

Why Good Governance?

It was once the case that development discourse revolved around the narrow confines of macro-economic indicators – economic growth. Other constitutive and holistic dimensions were not prominent. Even the limited discourse on governance revolved around the efficiency of the bureaucrats within the public realm, almost in a self contained manner. The state-

centric modality, precluded the growth and expansion of the civil society, and hence the political space was limited.

Good governance is grounded on certain predicates, which are, that: citizens and their governments do enter into a compact in which the citizens of any polity expect returns from their rulers for the enormous power vested in the government. They expect the government to respond to their material and non-material needs through a systematic process of accountability, transparency and checks and balances. Part of this compact involves the creation of a participatory system of democratic governance, under-girded by peace and security and the rule of law and the development of institutions and institutional norms which will be capable enough to produce sound economic- macro and micro- policies and management. The expectations are that this compact will significantly lead to poverty reduction. In a way, good governance is an imperative for development. (UNECA, 2001)

The emphasis on democratic governance is recognition of its overarching importance and the principal enabler of good governance in general. Without the umbrella of democratic governance, the other subcomponents or constitutive elements of good governance will become problematic, if not unattainable. What are these other constitutive elements? They are administrative governance, which essentially looks at institutional capacities, effectiveness and accountability and economic management, and corporate governance. These constitutive elements present a more holistic or comprehensive dimensions of good governance. We shall return later to the other constitutive dimensions of the triad and explore further the dimension of political governance. The latter deals mainly with the issue of empowerment and participation of the populace, all social groups in decision making that affect their lives. Development is after all about empowerment and the attainment of the BPOA's cannot be achieved and sustained without empowerment.

Political governance ensures that political representation is not merely symbolic, but substantive and sustainable: constitutionally guaranteed rights to open and credible competitive mechanisms for political representation, electoral laws that guarantee the rights of all social groups (gender, minorities) to fully participate and be adequately represented in all the organs and hierarchies of decision making; a decentralized political system allows for local governance and decision making and transparency of the electoral process which ensures that, citizens accept electoral outcomes. This ensures peace and stability and minimizes the likelihood of conflict. It also ensures the legitimacy and sustainability of the political framework and the state. Legitimacy is an important component of a capable state.

Since governance is also about the authoritative exercise and use of power to engender all sorts of human endeavors (economic, social and political), through state and non state institutions, the capable state becomes a central conduit in enabling the private sector and the civil society to participate fully in development. The Capable state is not possible without the other subcomponent of governance, which is administrative governance. What are the elements of administrative governance and their relevance to development in the LDCs?

The importance of capable institutions necessary for the effective functioning of both state and non-state actors in improving the socio-economic and political conditions of citizens cannot be overemphasized. Institutional effectiveness and Accountability are central to good governance. The capacity of the state to become responsive to citizens demands will depend in large measure on the effectiveness of institutions. The latter takes into cognition the fact that; some aspects of poor governance may be related to weak institutional capacity. This will make it possible to identify gaps in capacity and therefore assist African leaders to initiate requisite capacity building interventions. The indices for institutional effectiveness, among others, are the following: respect for the rule of law by all the actors in the political process,

independence and capacity of the judiciary, the mechanisms for self-regulation and external oversight of the activities of the executive and legislative organs, transparency, accountability of oversight bodies, mechanisms for the active participation of the civil society and the private sector in decision making, the extent and degree of de-centralized structures and decision making, gender representation in all spheres of decision making, effective service delivery mechanisms for service delivery to the poor and the capacity and independence of the legislatures in drafting and enacting relevant legislation.

Economic Management and Corporate Governance:

It is also the case that without economic growth and effective economic management, which unleashes the full vigor of the private sector, the realization of the MDGs in the LDCs will remain a forlorn hope. As stated earlier, the capable state is a sine quanon for realizing the MDGs and other developmental goals in the LDCs. Given the underdevelopment of the private sector in the LDCs and the perhaps inordinate control of state resources and financial institutions (POEs), good economic management and governance, particularly in the LDCs, must be given serious prominence.

For public policy, the principles of New Public Management, in which the Public Owned Enterprises are managed with the similar objectives as the private enterprises, must be applied. The pace of privatization in the LDCs is slow and painful.

- Economic management addresses these core issues: public financial management and accountability;
- integrity of monetary and financial systems;
- Private sector development and corporate governance; and
- accounting and auditing systems.

I wish to emphasize the following under this section:

- Budgetary discipline: fiscal and financial discipline; impact on public sector outcome; comprehensiveness; transparency; accountability and realism.

- Equity of public resource use: poverty reduction strategies; social targeting; pro-poor expenditure allocations; private sector and service delivery; and gender and equity of public resource use (e.g. women budget initiatives)
- Efficiency of revenue mobilization: tax collection efficiency; tax system transparency; tax system equitability; tax system influence on business; tax system impact on local and foreign investment; and role of taxation for providing incentive for economic and social development.
- General fiscal transparency: public access to information; accountability; transparency; and clarity of roles and responsibilities.
- Transparency: the need for more open and transparent policies and activities; globalization demands for greater transparency of monetary and financial policies; and policy disclosure and financial institutions credibility.
- Independence of central banks: central Banks responsibilities and roles; appropriate framework of for banking regulation; observance of monetary and financial transparency codes; and practices of periodic reporting.
- Effectiveness of regulatory and supervisory bodies: preconditions for effective banking supervision; prudential regulations and requirements; banking supervision reports; and cross border banking.
- Competitiveness of environment for the private sector: enabling environment for private sector; private sector participation in policy making; government policies and practices impact on the operation of markets; partnership of private and public sectors; and effect of crime on business.
- Depth of rules and laws on property rights: respect for the rule of law; respect for civil, political and property rights; effective legal framework with specified rights and obligations; strong legal, judicial and tax systems; and enforcing financial discipline.
- Depth of rules and laws on shareholder rights: the right of shareholders; equitable treatment of shareholders; role of stakeholders; disclosure and transparency; and the responsibility of the board.

Globalization, Mutual Accountability and Development in the LDCs:

In an increasingly interdependent world, the age of globalization, with all its potentials to elevate human condition and its concomitant capability to further marginalize the underdeveloped world, it is imperative that we address how globalization can be a force for good. This will require that we are involved in forging strategic partnerships, that will ensure that we reap full benefits of all the potentials that can be derived from this phenomenon, which

we call globalization The socio-economic and political malaise in the LDCs cannot be overcome without the a mutually beneficial partnerships with the more industrialized countries of the west- bilateral and multilateral. The partnerships we seek must be guided by enlightened self-interest. It is the only way in which these partnerships can be sustained.

Mutual accountability is also about policy coherence and development effectiveness, which has immense benefits to both donors and recipients. The issue of policy coherence cannot be overemphasized. Recipients of multilateral and bilateral assistance have, over the years argued that the donor expectations, demands and goals are often at odds with one another and at the same time at odds with partner country priorities. This impedes the effective utilization of assistance as these countries seek to harmonize, albeit, unsuccessfully, the disparate conditionalities of these donors and meeting their own national agenda.

The OECD –DAC has made some important strides in addressing these problems, in recognition of the fact development effectiveness will go a long way towards the realization of the MDGs. Development effectiveness will be enhanced through aid harmonization, to ensure that donors' objectives are in alignment with partner country priorities and goals. This is not always the case!

Mutual accountability requires that there should be a reciprocal mechanism for monitoring the commitments made by the LDCs and their development partners to ensure aid effectiveness. For the latter, There is the imperative of monitoring the coherence of policies of the development partners particularly, as these relate to debt, market access, trade distorting agriculture subsidies, tariff escalations, and commodity price risks, drug trafficking, the environment, etc. as these issues have significant bearing on the abilities of the LDCs to generate economic growth and improvements in all dimensions of human development.

I wish also to address the issue of transparency as a key component of global governance and the compact between LDCs and their development partners. Besides the need for transparency between the two, the quest for dealing with the deleterious effects of corruption at the national levels cannot be achieved without support from the west, in particular. It is noteworthy that the Transparency International has addressed the issue of “givers and takers”. Corruption has been identified as a bane of development, a phenomenon that impacts disproportionately on the developing countries. It is considered a serious problem in the developing world. Its impact is pervasive, both in terms of the drain on national resources, but also on the corrosive effects it has on institutional efficiency and service delivery, not to talk of national ethics. The cooperation of the developing countries is essential to curb this problem.

It is also imperative that there should be effective and regular monitoring/measurement and evaluation of progress towards the BPOA

Conclusions:

The key argument in this paper is that there is a nexus between good governance and poverty alleviation and human development in general. Although there is no attempt at establishing causality, there is an emerging consensus that good governance in all its constitutive elements is necessary to alleviate poverty. As political systems are become more inclusive, political space expands to give more voice to the once voiceless within the civil society, citizens are empowered to participate in decisions that affect their lives. Most countries are committed to gender mainstreaming and good governance is improving, but the challenges are equally daunting, least of which is the paucity of capacity in most institutions- state and non-state. How to address these capacity gaps must be key in the deliberations on how to move the BPOA agenda forward.

For the LDCs, there is the challenge of sustaining the somewhat modest progress (although, there are varying degrees of progress amongst the regions, within the LDCs) already made, given their relative vulnerabilities to internal and external realities. Macro and micro economic policies cannot be sustainable without stable and predictable external environment, given the precarious structures of their economies, vis a vis the developed economies.

Since “September 11”, the core development issues and challenges of the LDCs, have become marginalized. The disproportionate focus of the developed world on the “war on terrorism”, poses a great challenge to meeting the goals of the BPOA. This challenge is more than the mere diversion of development resources from the LDCs, but the fact that the key agenda items; the major human development issues such as HIV/AIDS, poverty eradication, human rights, etc., have taken a back seat, substantially, to the war on terrorism, with respect to key actors on the global economy.

Maintaining peace, security and stability in various regions of the LDCs, is a challenge that could undercut and even pose serious challenges to poverty eradication and sustainable development.

Mutual accountability, between the development partners, will be key in making and sustaining progress towards the BPOA as long as there is the political will on the part of the various actors.

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