Economic Development and Good Governance with reference to Public & Private Sectors

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Concept of Good Governance

"Good Governance is perhaps the single most important factor in eradicating poverty and promoting economic development".

-(Kofi A. Annan, Former Secretary General of the United Nations)
Need of Good Governance for Economic and Social Development

- Strengthening Democracy
- Promoting Inclusive Growth
- Changing role of Government
- Combating Corruption
Economic Development and Good Governance

- Six aggregate Good Governance indicators covering 213 countries over past decade for economic development
  1) Voice and Accountability
  2) Political Stability/Absence of Violence
  3) Government Effectiveness
  4) Regulatory Quality
  5) Rule of Law
  6) Control of Corruption

(Source: Daniel Kaufmann & colleagues, World Bank Institute
www.worldbank.org/wbi/governance)
Good Governance for Change and Development

Economic & Social Development

Human & Civil Rights

Poverty Alleviation

Social Awareness by People

International Relations

Good Governance
New Economic Reforms: Need for Change

- Why reform government?
  Response to pressure from citizens and other stakeholders towards improved services, quality and higher internal efficiency while transparent and accountable.

- What is the degree of reform expected?
  Radical change or transformation is usually expected, similar to the case of the private sector.

- What do we change in government organizations?
  Capabilities and attitudes of human resources

- Towards a new reality:
  Learning from good performers- some leaders, countries, and institutions are showing ‘the possible’. Role of the international community and private sector.
Elements of Good Governance in Public Sector (according to the World Bank)

- Public sector management emphasizing the need for effective financial and human resource management,
- Accountability in public services, including effective accounting, auditing and decentralization,
- Predictable legal framework with rules known in advance and an independent judiciary,
- Availability of information and transparency to enhance policy analysis, promote public debate and reduce risks of corruption.

(Source: Adegboyega Ojo, Elsa Estevez, and Bernd Friedrich, “Structures and Processes for Implementing and Operating e-Governance,” Center for Electronic Governance)
Public Sector Reforms - Consequences of Weak Governance and Corruption

- **Consequences** negatively impact on:
  - Economic development
  - The poor
  - The environment
  - Democracy and political system
  - International development cooperation

(Source: W. Zimmermann, “Good Governance in Land Tenure and Land Administration,” TS 71 - Global Land Tenure - Challenges and Innovations Shaping the Change XXIII FIG Congress Munich, Germany, October 8-13, 2006)
Good Governance - Principles

- Over the last decade, a consensus has emerged among international organizations, governments and civil society on the roles that governance plays vital in economic and social development.
- Strengthening the four elements of Good Governance: accountability, transparency, participation, and predictability.

Good Governance formula

- Simple formula on the Good Governance process:
  - \( IG = KD + CB + CA + PW \)

  Improving Governance = Knowledge Deepening + Capacity Building + Collective Action + Political Will

(Source: WBI, 2001)
Characteristics of Good Governance
(Source: UNESCAP)
Core Characteristics of Good Governance

- **Participation**
  All men and women should have a voice in decision-making, either directly or through legitimate intermediate institutions that represent their interests. Such broad participation is built on freedom of association and speech.

- **Rule of law**
  Legal frameworks should be fair and enforced impartially, particularly the laws on human rights.

- **Transparency**
  Transparency is built on the free flow of information. Processes, institutions and information are directly accessible to those concerned.

- **Responsiveness**
  Institutions and processes try to serve all stakeholders.

- **Equity**
  All men and women have opportunities to improve or maintain their well-being.
Core Characteristics of Good Governance

- **Effectiveness and efficiency**
  Processes and institutions produce results that meet needs while making the best use of resources.

- **Accountability**
  Decision-makers in government, the private sector and civil society organisations are accountable to the public, as well as to institutional stakeholders. This accountability differs from internal/external organisations.

- **Strategic Vision**
  Leaders and the public have broad and long-term perspective on good governance and human development, along with a sense of what is needed for such development.

- **Consensus orientation**
  Good governance mediates different interests to reach broad consensus on what is best interest of the group and, where it is possible on policies and procedures?
Good Governance functioning in public & private sector organisations

(Source: Helen Sutch, Sector Manager, PRMPS, World Bank)

Institutional Checks & Balances
- Independent, effective judiciary
- Legislative oversight
- Decentralization with accountability
- Global initiatives: OECD Convention, anti-money laundering

Political Accountability
- Political competition, credible political parties
- Transparency in party financing
- Disclosure of parliamentary votes
- Asset declaration, conflict-of-interest rules

Civil Society Voice & Participation
- Freedom of information
- Public hearings on draft laws
- Media/NGOs
- Community empowerment
- Report cards, client surveys

Competitive Private Sector
- Economic policies
- Restructuring of monopolies
- Effective, streamlined regulation
- Robust financial systems
- Corporate governance
- Collective business associations

Public Sector Management
- Meritocratic civil service with adequate pay
- Public expenditure, financial management, procurement
- Tax and customs
- Frontline service delivery (health, education, infrastructure)

GOOD GOVERNANCE
Improvement of Public & Private Sector Governance

- Accountability and transparency
- Corruption is in everyone’s mind
  - Corruption retards economic growth, limits government services, increases cost of business, and penalizes the poor
- Implement a “SUNSHINE LAW” similar to those in Canada and the US that requires executive officials, when they conduct government business, to announce their meetings (time, place, agenda) in advance and to hold these in forums that are open to the public.
- Institutional Effectiveness and Accountability
  - Strengthening the human and resource capacities of the Legislature, the Judiciary and non-state actors
  - Providing better access to justice and improving the independence of the Judiciary
  - Improving the quality, access and affordability of public services, especially for the poor

Cont...
Improvement of Public & Private Sector Governance

- Improving the independence and effectiveness of oversight and regulatory bodies (ombudsman, public complaints commission, human rights and anticorruption commissions, auditor general etc.)
- Better integration of traditional institutions into the governance system and enhancing their capacity, accountability and performance,
- Reform and strengthening of the civil services effectively
  - Implementing a Governance-Anticorruption Program in Public Sectors
    - High-level political commitment
    - Establishment of national steering committee
    - Implementation of diagnostic surveys
    - Selective reform of corrupt agencies, services
    - Public discussion and dissemination of results
    - Participatory development of strategy
    - Follow-up monitoring and periodic public reporting

Mechanisms to Improve Public & Private Sector Accountability

- Judicial Independence
- Anti-corruption bodies
- Merit-based recruitment
- Decentralization
- Public-private deliberation councils
- Community participation
- Citizen Charters
- Client Surveys
- Contracting Out
- Benchmarking
- Competitive Procurement

Voice & Participation

Internal Restraints

Competitive Pressure
Way Forward to Public & Private Sector Governance

- **Good Governance** - an evolving process
  - **Government effectiveness depends upon:**
    - Strength of its institutions and social organizations
    - Political sensitivity to local pressures
    - Efficacy of curbing corruption

- Simple and incremental reforms - most likely to succeed
- In developing countries public policies vulnerable to reversal:
  - Resistance in public arena
  - Resistance within bureaucracy

- **Strategy**
  - Emphasis on improved public service delivery
  - Enabling environment for good governance
  - Strategic management of human resources
  - e-Governance for better governance
  - Combating Corruption

Cont...
Way forward to Public & Private Sector Governance

- **Emphasis on improved Public Service Delivery**
  - Citizen oriented decision making
  - Removing structural barriers
  - Setting up performance standards for judging outcomes
  - Benchmarking delivery of services for assessment and continuous improvement

- **Enabling environment for Good Governance**
  - Improvement in law and order situation
  - Quick and fair delivery of justice
  - Immediate redress of grievances
  - Transparency in governance through good external reporting
  - Effective internal monitoring to reinforce accountability
Way forward to Public & Private Sector Governance

- **Strategic management in human resources**
  - Developing and maintaining capability through continuous upgrade of skills
  - Recognition of merit and performance based appraisal
  - Protection for bona-fide decisions
  - Stability of tenure

- **e-Governance for better governance**
  - Easy to access single point delivery of government services to individuals
  - Automation of internal processes after undertaking
  - Business Process Re-engineering
  - Reduction in cost of delivery of services
  - Replication of best practices
Combating Corruption - Five Key Building Blocks

- Institutional Restraints
  - Independent and effective judiciary
  - Legislative oversight
  - Independent prosecution, Enforcement

- Political Accountability
  - Political competition
  - Transparency in party financing
  - Disclosure of voting
  - Asset declaration, conflicts of interest rules

- Civil Society Participation
  - Right to Information
  - Public hearing of draft legislation
  - Role for media/ NGOs

Cont...
Cont...

Combating Corruption - Five Key Building Blocks

- Competitive Private Sector
  - Economic Policy Reforms
  - Competitive restructuring of monopolies
  - Regulatory simplification for entry
  - Transparency in corporate governance
  - Collective business associations

- Public Service Management
  - Meritocratic civil service, adequate pay
  - Budget management
  - Tax and customs administration
  - Enhancing service delivery (health, education, energy)
  - Decentralization with accountability
Strengthening Good Governance through Constitutional Reforms

- It stipulates where power lies within the state, what the institutions of government are, and how they are intended to operate.

- Good governance emerges from its structural provisions, such as separation of powers and statement of explicit rights that guard against authoritarian control.

- As the highest legal norm within the hierarchy of norms, the constitution also becomes a reference point.
Case Study: Cambodia Public Sector Reforms

- The vision of Royal Government of Cambodia for the Country’s economic development and social well-being is contained in its Rectangular Strategy.

- The inter-connectedness of all the sectors and development should be evident through this strategic framework, which serves as a guide for the priority areas selected for public sector reforms.

- Building peace, restoring stability and maintaining security for the nation and people.

- Enhancement of Agriculture Sector
  - Improving productivity and diversifying agricultural, Fisheries reforms
  - Land and mines clearance, Forestry reforms

Cont...
Case Study: Cambodia Public Sector Reforms

- To promote sustainable and pro-poor economic growth and development
  - Public administration reforms, including decentralization and de-concentration
  - Economic reforms for sustainable, equitable growth and poverty reduction

- Private Sector Development and Employment Generation
  - Creating jobs and ensuring improved work conditions
  - Ensuring social safety nets for civil servants & employees
  - Strengthening private sector and attracting investments, Promoting of SMEs

It also facilitate Cambodia’s ability to enter into effective public-private partnership to improve accessibility, quality and affordability of key public services

Cont...
Case Study: Cambodia Public Sector Reforms

- Favourable macroeconomic and financial environment
  - Capacity Building and Human Resource Development
  - Enhancing quality education
  - Forcing gender equity
  - Improving health services
  - Implementing population policy

- Integration into the region and normalization of relationship with the international community

- Rehabilitation and Construction of Physical Infrastructure
  - Further construction of transport infrastructure
  - Development of the energy sector of and electricity network
  - Management of water resources and irrigation
  - Development of information and technology
How can reforms be initiated and sustained?

- Windows of opportunity (fiscal crises, new government)
- Strategic sequencing (visible wins)
- Leadership building and communicating the reforms
- Empowering and development
THANK YOU