

Good Governance for Economic Growth

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Mohammad Mohabbat Khan, Ph.D.

Senior-most Professor

University of Dhaka

Department of public Administration

Dhaka-1000

Bangladesh

E-mail: khanmm07@gmail.com

Good governance (GG) is now a popular term. It is also in great demand all over the world. GG is in demand because it is a recipe for improvement of the existing state apparatuses. GG is advocated for adoption in developing countries for economic development and growth as well as for introducing and sustaining a democratic polity.

The paper includes (i) a brief economic profile of Bangladesh; (ii) an outline of policy initiatives of the present government; (iii) characteristics of good governance (GG); and (iv) actions needed and challenges to be faced to facilitate economic growth.

Economic Profile¹

The per capita income in Bangladesh is only USD 695 and that puts it in the category of Low Income Countries (LIC). Forty percent of the population still lives below poverty line. Income from industry is nearly 30% of total national income. External trade contributes 40% of the total income.

Growth rate has become sluggish mostly due to global economic downturn. But lack of investment in infrastructure, especially energy and power, port and communication has also contributed to the sluggish rate of the economy. There is a downward projection of export growth to 12% in the current fiscal year. In the first nine months of the current fiscal year import growth registered a decline to 12.4% from 23.9% during the corresponding period of the previous fiscal year.

The good news is that remittance growth remains buoyant in the current fiscal year. The remittance flow amounted to US \$ 7.9 billion up to April 2009 registering a growth of 22.5%. The current account surplus has also increased from US \$ 435 million in July-March FY 2007-2008 to US \$ 1090 million. The foreign exchange reserve stood at US \$ 6.5 billion in May 2009.

Election Manifesto²

The election manifesto of Bangladesh Awami League 2008 specially contained detail program outlines for encouraging economic growth. The major ones include:

- Poverty reduction
- Efficient management for quick industrialization
- Elimination of bribe and corruption and administrative difficulties
- Avoidance of political influence
- Creation of an investment-friendly environment and a competitive market system
- Adoption of innovative technology
- Provision of infrastructural facilities to attract entrepreneurs and expand domestic market
- One-stop facility to be made effective by simplifying legal and procedural formalities
- Protection of indigenous and development of IT industry

The major program goals as outlined above formed the basis of the government's policy thrust in the budget of 2009-2010.

Policy Initiatives of the present Government

Policy initiatives of the present government in the economic growth have been reflected in the budget speech³ of the Finance Minister of the Awami League government that has come to power after obtaining a massive popular mandate.

Economic policy is premised on protecting domestic industry and encouraging agricultural growth realizing the need of the industry the Finance Minister outlined a number long-term vision to solve existing problems facing the private sector. These include: provision of a TK. 5,000 crore stimulus package, Public Private Partnership (PPP) initiative, importing power and installing environmental friendly coal-based power plants to solve power problems confronting industries and whitening of black money.

The government's economic policy intended to stimulate growth has also not overlooked its obligation to other sectors and disadvantaged segments of the population. The agriculture sector's contribution was also recognized. TK. 3,600 crore has been allocated as a subsidy. A number of other measures have also been taken including multiple crop production by agricultural land; increase production and distribution of seeds and capacity for preservation and storing; emphasis on agricultural research and rehabilitation; and enhancement of agricultural loan from TK. 9,379 crore to TK. 10,000 crore.

The government has proposed to expand social safety net programs by increasing budgetary allocation and number of beneficiaries to protect the poor from vulnerability. Tk. 20,601 has been allocated for the programs. To bring in women in mainstream of development the budget earmarked allocations for women's development.

The budget also contained a number of environment-friendly initiatives to retrieve degraded river system, checking pollution, promoting renewable energy, proper use of water and massive afforestation programs.

Good Governance

Though the term good governance (GG) is widely known still there has been little agreement as to what the term means. To understand good governance, a variant of governance, to approaches have been used. One approach concentrates on identifying the opposite of GG. In this approach this opposite state is known as bad or poor governance. The symptoms of bad or poor governance have also been clearly identified. The second approach, on the other hand, meticulously delineates the key characteristics of GG.

The symptoms of poor governance include:

- failure to make a clear separation between what is public and what is private, hence a tendency to direct public resources for private gain;
- failure to establish a predictable framework of law and government behavior conducive to development or arbitrariness in the application of rules and laws;

- excessive rules, regulations, licensing requirements, and so forth, which impede the functioning of markets and encourage rent-seeking;
- priorities, inconsistent with development, resulting in misallocation of resources; and
- excessively narrowly based or non-transparent decision making (World Bank, 1992:9)

The above symptoms of poor governance indicate that a particular country is moving towards the stage of failed state where nothing literally works specially the institutions responsible for governing.

Good governance, on the other hand, connotes a desirable state of affairs (Khan, 2009). In recent years there have been efforts to delineate in clear and precise manner the key features of good governance. Some of these include:

- the promotion of democracy and open pluralistic societies;
- the strengthening of transparent, accountable, efficient and effective national and local government;
- the promotion of respect for human rights;
- the reinforcement of rule of law, including fair and accountable legal and judicial system;
- the promotion of independent media and the dissemination of information;
- anti-corruption initiatives; and
- efforts to reduce excessive military expenditure (OECD, 1992).

Stowe has provided slightly modified versions of the key characteristics of GG. According to him, GG is only possible when six variables are present. These are:

- political freedom, including free speech and a freely elected parliament, assembly or legislative;
- constitutional and judicial protection for the rights of the individual;
- the maintenance of stable currency, the essential underpinning of economic and social development;
- maintenance of rule of law by an independent judiciary;
- development of a society as a whole by education and health care; and
- executive accountability to a freely-elected legislative (Stowe, 1992: 388)

The UNDP has delineated key characteristics of GG in broad and comprehensive manner. These characteristics have also been elaborated for a clearer understanding and contextualization of GG. The key characteristics are:

- Participation- All men and women should have a voice either directly or through legitimate intermediate institutions that represent their interests. Such broad participation is built on freedom of association and speech as well as capacities to participate constructively.
- Rule of law- Legal frameworks should be fair and enforced impartially, particularly the laws on human rights

- Transparency- Transparency is built on free flow of information. Processes, institutions and information are directly accessible to those concerned with them, and enough information is provided to understand and monitor them.
- Responsiveness- Institutions and processes try to serve all stakeholders.
- Consensus orientation- Good Governance mediates differing interests to reach a broad consensus as what is in the best interest of the group and, where possible, on policies and procedures.
- Equity- all men and women have opportunities to improve or maintain their well-being.
- 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 organizations are accountable to the public, as well as to the institutional stakeholders. This accountability differs depending on the organization and whether the decision is internal or external to an organization.
- Strategic vision- Leaders and the public have a broad and long-term perspective on good governance and human development, along with a sense of what is needed for such development. There is also an understanding of the historical, cultural and social complexities in which that perspective is grounded (UNDP, 1997)

From the above it becomes apparent what are the key ingredients of good governance. But good governance does not emanate automatically. To materialize GG, the Government of the day has to undertake not only a number of tasks but also show commitment to the path of good governance.

Actions Needed and Challenges Ahead

The government, it would appear is fully aware about what needs to be done to achieve GG in Bangladesh. The election manifesto of the Awami League contains a section of establishing GG. The emphasis on this section is on actions in several fronts including ensuring independence and impartiality of the judiciary; ensuring executive's accountability to parliament, freeing administration and police from politicization; basing appointment and promotion in the civil service on merit, seniority and efficiency; e-governance; facilitating right to information; establishing rule of law; making Human Rights Commission effective, and appointment of an Ombudsman.

The present Government has already taken a number of actions indicating its intention to move towards GG like formation of an Information Commission; gone for digitalization of administration to quicken the pace of decision making; operationalizing Citizen Charter in making government and semi-government organizations to provide service to people-at-large; and reorganizing personnel in the civil service to bring about dynamism and right type of leadership and ensuring rights of minorities, tribal and hill people.

The government still faces some challenges to fully establish good governance in the country. The first and foremost is to effectively tackle corruption. Although a new Chairman has been appointed to lead the Anti-Corruption Commission's (ACC)

campaign against corruption, its activities have considerably slowed down in recent months with almost no conviction in graft cases.

The second challenge is to bring about peace and harmony in the industrial sector. Violence and property damage have become regular occurrences in the garments sub-sector.

The fourth challenge is to take effective measures to curb price hike of essential commodities as repeated promises by the concerned minister to bring down prices has yet to be materialized.

The fifth challenge is to overhaul the education system from the primary to the University level to ensure creation of educated and skilled manpower so vital for progress and growth of the country.

The final challenge is to encourage and ensure private sector led growth. For this to happen among other tripartite consultative bodies involving government, entrepreneurs and workers need to be reorganized and strengthened. All policy issues involving the three stakeholders need to be discussed, debated and settled amicably.

Conclusion

Good governance is never fully achieved in any country. But the efforts must be there to achieve GG as it can bring about peace, harmony, progress and growth and can pave the way for the achievement of an ideal state.

In the ultimate analysis the two most crucial ingredients of GG are participation and strategic vision. Unless these two are in place and working in tandem, then good governance will remain a cherished yet a distant dream.

Notes

1. Information contained in this section has been taken from Government of the People's Republic of Bangladesh (GPRB) (2009). **Invigorating Investment Initiative through Public Private Partnership: A Position Paper**. Dhaka. Finance Division, Ministry of Finance.
2. **Election Manifesto of Bangladesh Awami League 2008** (<http://www.albd.org>)
3. **Budget Speech (2009)** in the Parliament by the Finance Minister on 11 June.

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