

**Governance And Economic Development****Nissar A. Barua**

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Abstract:

Governance is a process by which public institutions interact with one another as they manage public issues and utilise public resources to attain the exalted objective of optimal social welfare. The conception of governance is multifaceted and very dynamic, and has evolved over the years espousing all those attributes which have become valued in the society as it developed. The various entities that exist and participate in the governance process, the intention behind their involvement, and the relative extent of their presence have a significant impact on the nature and quality of governance that would be forthcoming. In most countries, the nature of governance is changing as power relations among different entities are continuously shifting especially after the re-emergence of the market economy. The perception of good governance is subjective. Under the circumstances, constructing criteria on good governance becomes an exceedingly difficult task, as it is virtually impossible to incorporate the diverse values and sensibilities of the extremely heterogeneous world in a universally acceptable set of criterion.

Keywords: Accountability, Consensus, Efficiency, Governance, Participation.

1.Introduction

Governance is a process by which public institutions interact with one another as they manage public issues and utilise public resources to attain the exalted objective of optimal social welfare. The notion of governance is very subjective as its perception is based on the existing social structure, the cultural sensibilities of the people, the operational economic system, and the nature of the political arrangement. Under the circumstances there is a multitude of definitions of governance which portray the various perceptions of the concept while trying to capture the subtleties associated with them.

The idea of governance is often erroneously perceived to be government activity. Governance is not synonymous with government (*Graham et al, 2003*) and the failure to distinguish between them can result in serious flaw. One of the dangers lies in assigning the responsibilities of all public problems on the government who is given the sole onus of correcting it. Under the circumstances many problems of public issue remain unaddressed and the society becomes conveniently resigned to the unfortunate state of affair as another instance of government failure.

The conception of governance is multifaceted and very dynamic, and has evolved over the years espousing all those attributes which has become valued in the society as it developed. In the 1990's it was conceived as "the exercise of *authority and control* in a society in relation to the management of its resources for social and economic development" (Schneider, 1999). This management centric orientation of the concept was to essentially serve as a criterion to assess the performance of less developed beneficiary nations in fulfilling the objectives set against the financial assistance extended by the entities that was operating as the donor. Over time more democratic attributes such as participation, equity and justice, transparency and accountability etc. came to be incorporated into the concept making it much more comprehensive. One of the latter additions to the concept of governance was the dimension of predictability which 'was introduced in light of the financial crises in the latter part of the 1990s, which led to a call for improvements in corporate governance and stable financial frameworks' (Punyaratabandhu, 2004). The inherent dynamism in the concept of governance would ensure that its notion would continue to evolve over time in the future also as the maturing society expresses its changing values and beliefs.

Governance can be pertinent in international interactions as could be in interactions at the national level. It could be as equally relevant in issues concerning local communities or even in the regular functioning of various institutions. A greater

understanding of governance can be had if one considers the various entities that exist and participate in the governance process in the different spheres of the society. This is because the make-up of the entities, the intention behind their involvement, and the relative extent of their presence have a significant impact on the nature and quality of governance that would be forthcoming.

In conventional societies the government and private sector (mostly constituted by the business entities) dominate the governance process. But such a setup also provides the rightful space for the civil society and the media to play a critical role. An appropriate assortment of legitimate institutions, each with their proper sphere of influence, interacting within the ambit of acceptable and well established norms constitutes the basic framework for good governance. However governance does not take place in a vacuum; rather all the entities involved in the process have to operate in the backdrop of the culture and traditions of the society, its history, the attainments in the level of technology, and above all, the people who are the ultimate stakeholders in the process.

However in many instances non-democratic and very often non-legitimate entities usurp the dominant role in the society which adversely affects the quality of governance. In military dictatorship the democratic institutions are marginalised the military and the private sector takes centre-stage as the legitimately elected representatives and the civil society are pushed to the corner.

Other forms of distortions also emerge with the appearance of various un-conventional and incongruous entities who intercede in governance. Some of the states in India's north-east have their own peculiar form of governance (or non-governance) where radical extremist and underground groups co-exist and function, even if tacitly, with legitimately elected governments. The quality of governance in this case is compromised with democratic institutions like the civil-society and media effectively muffled. In most countries power relations among different entities are continuously shifting especially after the re-emergence of the market economy. The state in many countries is making premeditated withdrawal in favour of the private sector and other institutions within the civil society especially voluntary non-profit organisations. In those circumstances voices from the emerging entities are becoming more vocal in the public domain. The governance structure and the power relations among the constituents are increasingly getting more complicated with the entry of new players in the block like Non Government Organisations (NGOs), lobbyists, international donors, multi-national corporations, etc. who are getting to play more important role in decision-making or in

influencing the decision-making process. The participants in governance change with the change in settings, especially in the urban-rural context. The key participants in rural governance may consist of an entirely different set of players which include influential land lords, village panchayats, rural cooperatives, NGOs, religious leaders, rural financial institutions, and local political strong man and the parties they represent. In urban setting, the characters change with the change in the basic structure of the constituency. Under the circumstances, the higher level of awareness and greater public participation in governance finds expression in an enhanced role in the process for the civil society, mass media, and other such democratic institutions. However illegitimate entities also find their way into the system where in extreme instances crime syndicate gets entrenched in the formal mechanism of governance. Drug cartels in some South American nations like Columbia are cases in the point. Closer home *land and coal mafia* operating as organised crime syndicate influence critical decisions which adversely affect the economy, the environment, and more importantly ordinary citizens. The process of governance is equally valid at the institutional level, where again a different set of players participate. For instance governance at a university will be facilitated by the existing administration working in conjunction with the academic committees, the teacher's association, non-teaching workers union, the students union, and the various statutory bodies. Here also the quality of governance to a large extent is determined by the general attributes which are essential for good governance.

2. Principles Of Good Governance

Like its definition the perception of good governance is subjective which is influenced by the social and cultural environment in the society, its value system, the make-up of its economy and the state of evolution of its political system. Under the circumstances constructing criteria on good governance becomes an exceedingly difficult task as it is virtually impossible to incorporate the diverse values and sensibilities of the extremely heterogeneous world in a universally acceptable set of criterion. This paper adopts the set of principles of good governance postulated by the United Nations Development Program (UNDP, 1997) which have found wide acceptance in governance literature. These principles can be loosely classified as Participation & Capacity, Vision & Direction, Responsiveness, Efficiency & Effectiveness, Accountability & Transparency, and Equity & the Rule of the Law.

2.1.Participation & Consensus

A basic condition for good governance is the widespread participation of all stakeholders in the process. It requires all individuals in the community to have a voice in the decision making process either directly or through their legitimate representatives who articulate their interests. . Such participation is possible only if people are permitted o subscribe to their individual beliefs and values and allowed to express them without restraint. In fact comprehensive participation can only be possible if the people are able to give expression to their opinion in a collective manner which requires the extension of ‘the right to peaceful assembly and association’.

A democratic government, which is one of the basic requisite of good governance, derives its authority from the people which is granted through legitimate and genuine elections. In such a setup, although direction of the functioning of the government is based on the will of the majority, it is imperative that the legitimate interests of the minority groups are protected to prevent the tyranny of the former. Good governance seeks to bring harmony among divergent and often conflicting interest among belligerent groups so that the greater interest of the community is protected. In this context, the exercise of the rights and privileges of individuals and groups is limited to the extent that they contravene similar rights of others. However even the presence of a democratic setup will fail to usher in true universal participation if the vulnerable and marginalised segment of the population is not empowered with at least the minimum capacity and capability to express their aspiration.

2.2.Vision & Direction

It is of utmost necessity that decision makers in the governance process must possess a broad vision of what is necessary for the community and the country. Besides they should have a long term perspective of all the issues so that any chosen course of action is sustainable and harmonious. However a vision can only become operational if the way to realise it is known. Giving proper direction to governance remains critical towards realising its objectives and that is only possible if the strategy towards its realisation is grounded on the culture and tradition of the society, its historical background, the realities of the present and a vision of the future.

2.3.Responsiveness, Efficiency & Effectiveness

All the entities participating in governance must be oriented towards the interest of the stakeholders. Genuine requirements of public provision must be adequately provided. The governing entities and the governance structure must exhibit the necessary flexibility and adaptability to proactively respond to the dynamic environment that characterises a society that is constantly evolving.

Efficiency in governance is characterised by the optimal use of the scarce public resources at the disposal of the governing entities. This is achieved when resources are directed to those areas where their social return is the highest instead of confining them to uses that only maximises commercial profitability. Besides the optimal allocation of resources, efficiency parameters also require that criteria of proper utilisation and equitable distribution be satisfactorily met. This is reflected in the effectiveness of the process which can be gauged by the extent to which the objective and goals of governance have been achieved by the actual outcomes.

2.4.Accountability & Transparency

Good governance requires the governing institutions, the processes they perpetuate, and the consequent achievement be accountable to all the stakeholders. The level of accountability is enhanced when decisions are appraised, debated upon and are subject to approval. Misappropriations and other malpractices are minimised with the establishment of a built-in system of effective checks & balances in the governance process. Individuals and groups are to be accorded protection against arbitrary infringement of basic rights by the governing institutions through an effective safeguard mechanism.

Along with accountability, transparency constitutes another foundation of good governance. Adequate and relevant information on the governing entities, the processes they administer and the subsequent outcome should be available to all those who are governed. This would permit effecting monitoring of the process and enable the establishment of an operational system for acknowledging quality in governance and also for penalising inefficiency and failure.

2.5.Equity & The Rule Of The Law

Governance seeks to ensure for the people freedom, equity, and justice which constitutes the foundation of a stable and prosperous nation. To secure these traits the governance

process needs to extend equal rights and dignity to all citizens ensuring that no individual or groups are discriminated, deprived, or persecuted on grounds of caste, religion, language, race, or ethnicity. A highly evolved governance process always operates through a liberal legal structure. Good governance requires laws to be fair and their imposition impartial. In this context the rights of individuals are of paramount importance which calls for a judiciary that protects citizens from arbitrary arrest, detention, and deportation while guarantees a fair public hearing to an accused.

The state also has a responsibility in ensuring that the existing government policies and corresponding laws are consistent and follow a logical and coherent sequence. Unpredictable and inconsistent state laws very often cause great inconvenience to stakeholders and drastically erode the credibility of the nation.

3.Governance And Economic Development

In the context of economic development, governance may be viewed from the perspective of allocation, attainments, and distribution. Efficiency in allocation requires scarce public resources to be put to their most optimal use. Provision of public goods is inherently characterised by market failure which requires them to be provided by the government budget. The quality of governance will depend on whether such public provisions are sensitive to the preference of the people.

Good governance requires the perception to distinguish between social benefit and commercial profitability by capturing the externalities¹ associated with the various forms of public investment. Provision of goods exhibiting externalities are often associated with market efficiencies where the market under-provides goods with external benefits while over-providing goods with external cost. The success of governance in this regard would depend upon how the concerned institutions are able to correct the existing inefficiencies through an appropriate strategy of tax and subsidy. Efficient governance also requires the detection of pockets of market failure in the economy, identification of the offending entity and rectification of problem.

The relative success of governance may be assessed in terms of attainments in critical areas of education, health, food, and social security which are critical for the creation of quality human capital besides the enhancement of the quality of life. It may also be

Externalities are beneficial or harmful side-effects generated in the process of production, distribution, and consumption, which affects people who are not directly involved in the market transactions.

evaluated in terms of the creation of economic infrastructure which constitutes a prerequisite for sustainable economic development.

Distributional efficiency of governance will need to satisfy the canons of equity and justice that seeks to examine the extent of participation which depends upon the sensitivity of the process towards the choice and requirements of the people. Besides the equity issue in governance will be assessed on the extent to which public interventions reach those people whose needs are the most desperate. In recent years the focus of policy makers have shifted to ensuring the provision of the basic necessities to the poorest of the poor instead on concentrating on attaining the impossible objective of eliminating the income gap between the richest and the poorest in the country.

4. Conclusion

As India positions itself to make the big leap to join the league of developed nations, the appalling quality of governance threatens to undermine the growth momentum generated by the dynamic entities and forces operating in the country. Corruption which is the plague of less developed countries sabotages most of the development initiatives and erodes the credibility of the nation.

Even more disquieting is the relative backwardness of its sensitive north-eastern region which hangs like the Damocles Sword over the country. Given its multi-ethnic and multi-religious character that makes the region inherently volatile, governance has a critical role in bringing about amicable resolutions of the multitude of vexed issues which are mired in an emotional cauldron of cultural, social, political, and economic sensibility. In recent years there have been significant achievements in the form of gradual resolution of political conflicts. It is imperative that the gains achieved at such a huge price are not fettered away. Under the circumstances the need of the hour is quality governance that seeks to respond to the exigencies of the existing situation and also to the requirements of the people so that their economic, social, cultural, and political aspirations are fulfilled.

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