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Good Governance and Decentralization

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Abstract

Good governance and Decentralization are policy instruments whereby the world in general and African in particular have pursued it for the past 43 and 53 years. Despite empirical studies not yet being con-collusive, decentralization helps to improve good governance. Good governance and decentralization are brought into Africa following the beginning and end of structural reforms, to bring economic development, respectively. The chapter has six parts. The first part deals with the introduction and background of good governance and decentralization. The second part high lights the meanings or concepts and elements of good governance, and issues and concepts related to decentralization. The third part insights the relationship between decentralization and good governance. The fourth part gives some highlights about decentralization and good governance in Africa and when and why decentralization has been introduced among African nations. The fifth part investigates the relationship between decentralization good governance and economic development; and the last part provides conclusion.

Introduction

There have been several scholarly contributions to good governance and decentralization. However, most scholars have addressed them discretely. These two concepts are highly interwoven to support each other. Decentralization, as a policy instrument, has been rigorously implemented to improve the efficiency and effectiveness of service delivery by making the decision-making processes transparent, accountable, responsive, participative, and predictable, which ultimately instills good governance. Good governance as a concept of quality governance has been implemented both in the post-cold war and structural adjustment periods as a means of improving the economic performances of Sub-Saharan African countries. Good governance has been subjected to many concepts tolerated problems. Perhaps, the problem doesn't lie in the concept but the definition of what is good? Does "good" mean western system or processes? For whom "good" is it? The relativeness and judgmental concept of "good" make good governance difficult to define. The idea of good governance has been greatly promoted by the World Bank since the early 1990s. It is therefore argued that the most common definition of governance, which is provided by the World Bank is: "how power is exercised in the management of a country's economic and social resources for development". The World Bank also refers to good governance as a 'sound development management' and sees it as 'central to creating and sustaining an environment which fosters strong and equitable development and it is an essential complement to sound economic policies' (World Bank, 1992:1). The OECD defined it somehow similar to the World Bank's definitions, how it gives more emphasis to democratization and reduction in military spending in developing countries. According to OECD, the rule of law, public sector

Management, control of corruption and reduction of military spending within developing countries are important aspects of good governance.

Concept of good governance

In summary, good governance relates to the political and institutional processes and outcomes that are necessary to achieve the goals of development. The true test of 'good' governance is the degree to which it delivers on the promise of human rights: civil, cultural, economic, political and social rights.

Concept of decentralization

Decentralization the transfer of authority and responsibility for public functions from the central government to subordinate or quasi-independent government organizations and/or the private sector is a complex multifaceted concept.

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Decentralization and governance

According to one definition: "Decentralization, or decentralizing governance, refers to the restructuring or reorganization of authority so that there is a system of co-responsibility between institutions of governance at the central, regional and local levels according to the principle of subsidiarity, thus increasing ...

The five principles of corporate governance are responsibility, accountability, awareness, impartiality and transparency.

- Responsibility. ...
- Accountability. ...
- Awareness. ...
- Impartiality. ...
- Transparency.

The 3 pillars of good governance

The three pillars of governance are **c**orporate governance, due diligence and compliance programs. Studies provide clear evidence of a link between economic development and corporate governance.

The 8 Elements of Good Governance

Governance can often be an elusive topic in the project management sphere due to a lack of an agreed-upon definition. However, good governance is the critical element for an effective project-based organization. If your organization can make the right decisions faster, you set yourself up well in our increasingly fast-paced and turbulent world. Conversely, poor governance can lead to project delays, communication breakdown and increased risk exposure.

Good Governance Element 1: Participatory

Good governance considers different perspectives both inside and outside of the boardroom. When governance frameworks and decisions are made without a diversity of perspectives and opinions, governing bodies can fall into group think.

Group think occurs when individuals value group consensus over critical reasoning and evaluation. In these siloed echo chambers, key decision-makers within the governance committee often do not receive external perspectives, critiques or unique out-of-the-box ideas that can be critical to improving governance processes and activities within the organization. With governing bodies and board positions historically held by men, bringing in gender and ethnic diversity into governance committees and boards is critical for good governance.

Good Governance Element 2: Consensus Oriented

Bringing people to participate and have a seat at the discussion table is not enough, their opinions and ideas need to be properly acknowledged. While some may view a diversity of perspectives as a potential point of conflict, an organization with good governance that clearly defines its culture, value and practice ensure that debates and differences are handled in a respectful and constructive manner. When a diverse board reaches a consensus, it is more likely to better serve the broader interests of stakeholders.

Good Governance Element 3: Accountability

Accountability can refer to the obligation or responsibility of an organization to provide an explanation or justification for its actions and conduct. However, more than merely being a compliance measure, establishing clear lines of command and accountability allows for organizations to make decisions faster and for issues to be escalated to the right people in the most appropriate manner. Good governance stems from individuals knowing exactly what they are responsible and accountable for at all times.

Good Governance Element 4: Transparency

Transparency refers to the willingness of an organization to provide information to stakeholders. If good governance is all about unity, then transparency is the critical factor that enables organizational unity.

Internally, transparency allows employees to be aligned with the strategic objectives of the organization and understand their role within the greater organization. Externally, transparency is becoming increasingly important as stakeholders demand greater social, economic and environmental efforts from organizations. Transparency is a critical factor that builds trust in an organization and its brand.

Good Governance Element 5: Responsiveness

Governance is all about making better decisions faster. Good governance needs to be responsive, especially in our increasingly fast-paced and turbulent economic environments. Organizations that have proper governance structures in place are able to respond to changes in a quick and effective manner without leaving out critical stakeholders and making sure all relevant parties are in the loop.

Good Governance Element 6: Effectiveness and Efficiency

One of the greatest benefits of good governance is that it reduces the amount of time and resources spent scrambling for answers. Good governance is not only able to achieve the most optimized use of resources, but it is also able to accommodate the needs of stakeholders.

Many organizations can be consumed with achieving efficiency in their processes but forget that while efficiency is beneficial, it can become redundant if it does not offer strategic value to the organization. This focus renders governance into a mere cost-saving technique rather than a strategic function.

Good Governance Element 7: Equity and Inclusivity

Governance is frequently branded as mere rules and regulations that many forget its inherent ethical and moral dimensions. It is no question anymore that social and environmental responsibility plays a critical role in future business strategy. Equity and inclusivity are more than bringing people to the table. It is about making sure that whatever decisions are made considers the wellbeing of involved stakeholders, particularly the most vulnerable groups.

Good governance enables organizations to balance the conflicting needs of different stakeholders and interests to achieve the most equitable solution with the most inclusive practices possible.

Good Governance Element 8: Follows Rule of Law

Compliance, while not the entire focus on governance, makes up a big part of good governance. Good governance requires organizations to abide by and implement fair legal frameworks that can be enforced impartially. As environmental and social compliances continue to grow, bringing in third-party expertise may be necessary to make sure organizations are acting ethically, honestly and with the utmost integrity

The 4 types of decentralization

This source book identifies four major types of decentralization according to classifications made in UNDP and World Bank articles. These are political, administrative, fiscal, and market decentralization. Political decentralization is the transfer of authority to a subnational body.

Advantage of decentralized government

Important arguments in favor of decentralizing government are that it: creates an efficient and reliable administration, intensifies and improves local development, better ensures the rights of the local population to have a voice in government and better protects minorities.

Importance of decentralization

Decentralization helps the directors at the lower levels to take that load of choices, which are for the advancement of association, they resolve all issues by themselves and to foster answers for taking care of the different issues they face. This aids in improving certainty and confidence among the representatives.

Decentralization and Local Business Development

Most of the cases of decentralization in developing countries examined in the theoretical and empirical literature relate to delivery of social services. But in recent years, there has been an extension of the traditional literature on federalism to the case of the role of local government in promoting local business development, particularly in the context of transition economies, especially China, and this has potential implications for developing countries where so far public delivery issues have been more prominent. In Qian and Wein Gast (1997) and Qian and Roland (1998), for example, decentralization of information and authority and interjurisdictional competition in China have been considered as commitment devices on the part of the central or provincial government to provide market incentives, both the "positive" incentive rewarding economic success at the local level and the "negative" incentive in terms of punishing economic failure. The local government-run township and village enterprises that served as the engine of growth in China in the last two decades have been cited as a major example of the outcome of a successful 8 See, for example, PROBE (1999) on the basis of an intensive survey of 234 randomly selected villages in north India carried out in 1996. 200 Journal of Economic Perspectives "market-preserving federalism." In terms of positive market incentives, the township and village enterprises had full control over their assets and were largely left alone (as a residual claimant) to "get rich gloriously," and the limited knowledge of the upper-tier governments about the extra-budget and off-budget accounts of local governments acted as check on the upper-tier interventionism. In contrast, an econometric study of the scale relations between local and regional governments in Russia by Sharansky (2000) on the basis of a panel dataset for 35 large cities shows that local governments could retain only about 10 percent of their revenues at the margin, thus providing only weak incentives to foster local business development and thus to increase their tax base. In terms of the "negative" incentive, Chinese upper-tier governments, by denying bailout to many failing township and village enterprises, enforced a dynamic commitment. Having no access to state banks and facing mobility of capital across jurisdictions raised the opportunity costs of local governments for rescuing inefficient rams, thus leading to the endogenous emergence of a hard budget constraint. Without denying the importance of these market incentives, it is possible to argue, however, that the case of market-preserving federalism is institutionally understeered in these studies. Depending on the political-institutional complex in different countries, the same market incentives may have different efficacy. As Rodden and Rose-Ackerman (1997) have pointed out in a critique of market preserving federalism, whether political leaders of a local government respond to highly mobile investors or instead pay more attention to the demands of strong distributive coalitions dominated by owners of less mobile factors depends on the institutional milieu. Owners of capital vary widely in the septicity of their assets and institutional

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incentives facing political leaders may vary even for the same jurisdictional competitive pressure. Even in a democracy, not to speak of authoritarian systems, electoral competition does not necessarily punish local leaders who fail to respond to exit threats of mobile asset owners and are instead more responsive to coalition building and the voice of well-organized lobbies. We have pointed out earlier the problem of local capture by the oligarchic owners of immobile factors of production, like land in rural India, and how in the Chinese case, the lack of such strong rural lobbies (owing largely to the egalitarian land distribution) may have made a difference in the local governments' vigorous pursuit of rural industrialization.9 In Russia, many have pointed out that over much of the 1990s, local governments have shown features of being captured by erstwhile rent-holders and old rms, which sometimes blocked the rise of new rms that could compete away their rents.1 0 Of course, even in China by some accounts (for 9 Even in India, in areas where land distribution is relatively egalitarian and local democracy is more solidaristic, as in Kerala, there are now some instances of municipal governments taking a leading role, in collaboration with bankers and social groups, in local business development. For some examples, see Das (2000). 10 The explanation of China's relative success attributed to political centralization in Blanchard and Shleifer (2000) does not seem very plausible. A strong central political authority can punish local Decentralization of Governance and Development 201 example, Shirk, 1993), local of coals have often used their noncoal authority under decentralization to build political machines, collecting rents in exchange of selective benefits and patronage distribution and federalism may not always have been that market preserving. It seems jurisdictional competition is not enough to explain the emergence of endogenous hard budget constraints for local governments without a lot more specie cation of the local political process. Even ignoring the lobbies of land oligarchies, if a local business fails, threatening the livelihood of thousands of poor people, the local government (or if the latter is bankrupt, upper-tier governments) will have difficult ignoring the political pressure that will be generated in favor of bailing them out. Wilda sin (1997) has rightly pointed out that federal grants to local governments may be less "soft" in the small jurisdictions as opposed to the large (which are "too big to fail"), but even small jurisdictions may have key politicians representing (or lobbying for) them and in any case, it is cheaper to come to their rescue.

Conclusion

It is quite plausible to argue that in the matter of service deliveries as well as in local business development, control rights in governance structures should be assigned to people who have the requisite information and incentives and at the same time will bear responsibility for the (political and economic) consequences of their decisions. In many situations, this insight calls for more devolution of power to local authorities and communities. But at the same time, it is important to keep in mind that structures of local accountability are not in place in many developing countries, and local governments are often at the mercy of local power elites who may frustrate the goal of achieving public delivery to the general populace of social services, infrastructural facilities and conditions conducive to local business development. This means that decentralization, to be really effective, has to accompany serious attempts to change the existing structures of power within communities and to improve the opportunities for participation and voice and engaging the hitherto disadvantaged or disenfranchised in the political process. After all, the logic behind decentralization is not just about weakening the central authority, nor is it about preferring local elites to central authority, but it is fundamentally about making governance at the local level more responsive to the felt needs of the large majority of the population. To facilitate this, the state, far from retreating into the minimalist role of classical liberalism, may sometimes have to play certain activist roles: enabling (if only as a catalyst) mobilization of people in local participatory development; neutralizing governments (reducing the risk of their capture and the scope of their rent seeking), but one needs a plausible story of a benevolent no rentier central authority to go with it. 202 Journal of Economic Perspectives the power of local oligarchs; providing supra local support in the form of pump priming local Nancee; supplying technical and professional services toward building local capacity; acting as a watchdog for service quality standards, evaluation and auditing; investing in larger infrastructure and providing some coordination in the face of externalities across localities. The literature on decentralization in the context of development is still in its infancy. On the theoretical side, perhaps the key challenge is to and better ways to model the complex organizational and incentive problems that are involved, in a situation with pervasive problems of monitoring and enforcement. On the empirical side, there is a great deal of scope for rigorous work in evaluating the impact of ongoing decentralization initiatives, using detailed household and community surveys, comparing it with the experience with centralization or some other counterfactual. In such empirical work, one has to be particularly wary of several econometric problems. One issue is that some of the data involved in evaluating community participation and project performance may be subjective. For instance, some investigators start with the prior belief that participation is good, which creates a "halo effect" in their observations. A second problem is one of simultaneity: better bene carry participation may cause improved project performance, but improved project performance often also encourages higher participation.11 Finally, there is the commonly encountered endogeneity problem. Before being too quick to claim that decentralization brought about certain outcomes, it is worth considering that decentralization may have resulted from ongoing political and economic changes that also affected these same outcomes. Separating decentralization from its political and economic causes, so that decentralization is not just a proxy for an ill-dined broad package of social and economic reforms, is a delicate task.

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