How Does Integrity and Good Governance Impact Pro-Poor Growth?

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Introduction

The effective promotion of growth and development has over the years been flagged as a key priority by many governments throughout the world. With this mind, many countries and organisations have understandably been preoccupied with exploring and putting in place measures that can achieve the desired growth and development levels. An important consideration which is increasingly receiving attention in this regard is the role of good governance in the promotion of growth and development.

This paper provides a brief examination of some of the key considerations specifically relating to how good governance impacts on pro-poor growth. The paper first deals with definitional issues regarding good governance and pro-poor growth, followed by a discussion on the relationship between the two. At the outset, it should be emphasised that the relationship discussed in the paper is not an empirical one of ‘cause and effect’. Such matters of causality are best left in the able hands of social science researchers and development economists who continue explore them further even on this day.

Good Governance and Pro-Poor Growth

As part of his Annual Report to the United Nations General Assembly in 1998, the then Secretary General, Mr Kofi Annan stated, among others, that “good governance is perhaps the single most important factor in eradicating poverty and promoting development”.1 Probably because of its boldness and unambiguity, as well as the calibre of the person who said it, this has become one of the most widely quoted statements on the importance of good governance in the promotion of pro-poor growth and development. However, it should be noted that some authors have cautioned that good governance and pro-poor growth do not necessarily share an empirically clear relationship of causality. This is in part because ‘good governance’ and ‘pro-poor growth’ still get defined differently by different people, and also because it is believed that there are many other complex factors that contribute to growth than just good governance.

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Two of the most commonly cited definitions of governance are those of the United Nations Development Programme (UNDP) and the World Bank, respectively. The UNDP has defined governance as “…the exercise of economic, political, and administrative authority to manage a country’s affairs at all levels. It comprises mechanisms, processes, and institutions, through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations, and mediate their differences”. ² It is assumed that if these processes and forms of authority are being exercised well, one can then talk of good governance. For the World Bank, governance is “…the traditions and institutions by which authority in a country is exercised for the common good. This includes (i) the process by which those in authority are selected, monitored and replaced, (ii) the capacity of the government to effectively manage its resources and implement sound policies, and (iii) the respect of citizens and the state for the institutions that govern economic and social interactions among them.”³

Other definitions abound in the literature, but it is beyond the scope of this paper to review all of them.⁴ Although these definitions differ in terms of the dimensions of governance which they cover, all tend to revolve around **how authority is exercised and relationships are managed**. There is certainly a strong normative aspect to many of these definitions, which suggests that they are not necessarily neutral.⁵ The idea of “the

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⁴ For a review of other definitions, see, for example, United Nations Economic and Social Council, March 2006, “Definition of Basic Concepts and Terminologies in Governance and Public Administration”, Committee of Experts on Public Administration, Fifth Session, New York.

common good” for example, as contained in the World Bank definition is value-laden. This is probably one of the reasons there continues to be debates about the applicability of certain conceptions of good governance outside their countries of origin. In fact, this may also be the reason some are now advocating for what is called “good enough governance”, which seeks to encourage focusing on a minimum (rather than comprehensive) set of requirements for effectiveness.

‘Pro-poor growth’ has its share of differing definitions as well. The key ones are summarised in the box below:

**Box 1 Definitions of pro-poor growth**

- The type of growth that results in the reduction in the proportion of the poor
- The type of growth that increases the income of the poor
- The type of growth from which the poor benefit more compared to the rest of the population, thus resulting in the reduction of income inequality.

The last definition is relative in that it compares the poor to the ‘non-poor’, and the first two definitions are absolute, focusing only on poverty going down without necessarily

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7 Ibid.

comparing the benefits that accrue to the poor with those that accrue to the rest of the population. Thus, a major point of contention in the literature is whether, as the third definition in the Box above seems to suggest, if growth benefits the poor and the rest of the population alike, it does not count as being ‘pro-poor’. Whatever definition is used, ultimately poverty reduction is at the heart of pro-poor growth.

**On More Time: Does good governance impact on pro-poor growth?**

The impact of good governance on pro-poor growth remains a subject of debate among many scholars, and, as indicated above, some are arguing that there is not empirical evidence that supports claims that there is a relationship between the two. What complicates this debate is the concern that if by pro-poor one means ‘reducing income inequality’, then economic growth may not even be the correct intervention you should be looking at. In order to narrow income gaps, it is argued, focus should be more on the structure of the economy, the labour market, and the quality of education and training, among others, rather than just economic growth.9 A further complicating factor in these debates is the concern that if you say good governance impacts on pro-poor growth, the argument should not be extended further to suggest that good governance is a pre-requisite of economic growth.10

However, it is important not to confuse issues here: economic growth in itself does not necessarily depend on good governance – at least as defined earlier in this paper. Take South Africa, for example. In the seventies, the economy continued to grow by an annual average of 4%.11 Yet, this was the time of apartheid at its best – discrimination based on race, gender and ethnicity, violent suppression of political activity, and the exploitation of

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See for example, Centre for Development Enterprise. 2010. “Poverty and Inequality: Facts, Trends and Hard Choices”. Edited proceedings of a Round Table Convened by the Centre for Development enterprise. CDE Round Table Numbr 15.

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See, for example, Fedderke , J and Simkins , C. “Economic Growth in South Africa since the Late Nineteenth Century”
the black majority – all of which are, by no stretch of imagination, not elements of any model of good governance at all. In fact, it was largely only in the eighties and early nineties that, through trade and investment sanctions as well as heightened political uprisings, South Africa began to really feel the economic pinch attributable to bad governance.\textsuperscript{12} Before then, fluctuations in economic growth were largely attributable to developments such as changes in the oil price, factors that clearly had very little to do with the state of governance in the country at the time. Fast forward to the year 2008/9, and South Africa experiences negative growth” for the first time in 10 years”\textsuperscript{13} This was the effect of the global economic crisis at the time, and the negative growth that was experienced can, in all fairness, thus not be attributed to a lack of good governance in the country.

Clearly, the direction of the arrow of economic growth is not always necessarily determined by the quality of governance. However, this paper argues that economic growth in the absence of good governance is not sustainable. Somewhere along the way, the destructive seeds of bad governance will inevitable begin to impact negatively on growth, as it happened in South Africa in the eighties following a deepening of political uprisings and the imposition of trade sanctions.

What do all these mean for pro-poor growth then? From the definitions of ‘pro-poor growth’ advanced above, it is clear that while economic growth is a necessity, it does not follow that it will necessarily benefit the poor. For it to benefit the poor, there are certain pro-poor policy choices that governments have to consciously make to ensure that the poor do indeed benefit. In addition to making the right policy choices, there has to be the necessary capacity to implement these policies. A government may be committed to good governance and pro-poor policies, but if it faces capacity constraints towards the implementation of these policies, the necessary impact on the poor may still not be achieved. A government does not achieve integrity and good governance by mere declaration. It needs to keep building the necessary capacity to make this a reality. Some

\textsuperscript{12} Ibid.

African governments have clearly committed themselves to good governance, but due to institutional capacity constraints, the pro-poor agenda ends up facing challenges.

Does it then follow that growth + a government that effectively implements good governance = positive impact on the poor? Well, whether there is conclusive empirical evidence or not, surely one cannot pretend that the quality of governance does not have a bearing on pro-poor growth! One of the most common ills that thrive when there are lapses in integrity and good governance is corruption. Should we ignore the fact that corruption diverts resources from legitimate national priorities, which means that even if there is growth, the proceeds of such growth may be diverted away from the poor and channelled into the pockets of the corrupt? Should we ignore the fact that where there is a lack of integrity in the leadership and systems of a country, leaders can become the “architects of poverty” as they help themselves (and their selected beneficiaries) to the wealth of their countries and stash it away in foreign personal accounts and investments?.14 Perhaps others may argue that in Africa, there can be “benevolent dictators”, those who may not necessarily subscribe to good governance but still ensure redistribution of resources to the rest of the community. Let’s be clear, such tendencies are not sustainable, and sooner or later, they will begin to impact negatively on the economy, society, and more specifically the very poor people who were supposed to be beneficiaries in the first place.

Should we ignore the fact that rampant corruption runs the risk of discouraging investment and thus retarding economic growth (let alone ‘pro-poor’ growth)?15 Should we ignore the fact that rampant corruption makes a mockery of infrastructure investment, by either diverting resources from such investments (which are necessary for supporting growth), or by resulting in infrastructure projects whose quality is highly suspect and thus not worthy of being called investments at all? Should we ignore the fact that a lack of integrity and good governance erodes public trust in government and can over time run the risk of creating social instability, a factor that is certainly not in the interest of growth (whether pro-poor or not)? Should we ignore the fact that, through meaningful public participation, good governance promotes responsive public service delivery, and that


without such participation governments would in fact be second guessing what can work best for the poor? By so doing, should we ignore the significance of the statement “nothing about us, without us” made popular by activists for the rights of people with disabilities in South Africa?

If, and only if, we are prepared to ignore these considerations, then we can claim that integrity and good governance do not impact on pro-poor growth.

**Conclusion**

The impact of integrity and good governance on pro-poor growth (at least in terms of poverty reduction) can and should not be ignored. Good governance is necessary if we are to put our national economies on a sustainable growth path. Good governance is also needed to ensure that the growth that is achieved does indeed benefit the poor. It is, however, even more pertinent to invest in the continuous building of institutional capacity to ensure that weaknesses in terms of the implementation and enforcement of good governance policies do not compromise the achievement of pro-poor objectives.