

# Governance and growth

The elements of good governance are attainable via democracy. That is the reason why good governance and democracy are inseparable, and hence democracy and sustainable and pro-people growth are also inseparable. The ultimate achievement of good governance is people's welfare through better service delivery on sustained basis.

ZAHURUL ALAM

THE relationship between governance and development constitutes an integral part of modern development discussion. There is a broad consensus among the social scientists and development actors on the significance of governance in development. More significant is the role of governance for developing countries that strive for poverty alleviation.

Many say that availability of resources is an essential but not sufficient prerequisite for development, rather availability of resources coupled with proper resource management can create a favourable environment for attaining expected pace of development.

Despite lasting debates, governance is yet to have a single definition. Here are some examples of how governance is defined by different actors. According to UNDP, governance is "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."

The World Bank's PRSP Handbook defines governance as the way "power is exercised through a country's economic, political, and social institutions." According to Kaufman et al governance refers to "the traditions and institutions by which authority in a country is exercised." The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), defines governance as "the process of decision-making and the process by which decisions are implemented (or not implemented)." The ADB defines governance as "a process referring to the manner in which power is exercised in the management of the affairs of a nation, and its relations with other nations."

Common among the above definitions is the recognition that governance is the way of using power or authority. There are debates about who could be the major governance actors, the modality of exercise of power or use of authority by the concerned, the relationship among the major players, the method of selection of the major actors, etc.

The governance-growth relationship takes into consideration the role of three major actors: (i) the government with its decision making, strategy formulation, regulatory and implementation mechanism; (ii) the civil society with its capacity to work in partnership with the government at the policy and implementation levels, including the capacity to influence government policy and strategy formulation based on its academic and grassroots level implementation experiences that correctly reflect people's aspirations, and the civil society's capacity to mitigate gaps between the government decision making process and the real needs of the citizens; and (iii) the role of the private sector in direct and indirect service delivery. In the context of globalisation, the need for responsive and vibrant governance has become essential due to exposure of the economies to broader competition and greater opportunities.

Transparency, accountability, participation, responsiveness and efficiency are at the heart of good governance and serve as catalysts for sustainable and pro-people growth. Reverse is true in the case of lack of good governance. The sustainability of growth and its people-friendly nature are important, as short-term growth covering small segments of population may be attained otherwise as well.

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For sustainable poverty alleviation, Bangladesh needs 7% to 8% growth rate, which the country seldom attained. The absolute number of poor thus increased over the years. According to Escap, in the



A nurtured nation is a flourishing nation.

first three years after independence overall economic growth was high, averaging more than 7% annually. The growth rate was over 5% from 1975/76 to 1979/80. However, that slowed down considerably to an average of around 4 percent in 1980s.

The GDP growth was 3.51% during 1990/91 and 4.7% in 1996 (Rural Poverty Alleviation Under Changing Economic Conditions: Bangladesh Perspectives). Decade-wise analysis based on BBS, UN and World Bank data reveal that the country's growth rate accounted for 5.1% since 1991, compared to 3.9% and 3.6%, respectively, during 1960-71 and 1972-90. According to IMF 2009 World Economic Outlook, during 2003-2010, the country's growth rate ranged between 4.4% (2003) and 6.6% (2007). The Average GDP growth rates over the decades (1973-2008), per

Where historically each major European state strenuously guarded its defense sector as its own preserve, Clinton's new form of "transatlanticism" pushed, or contributed to the push, for cross-border integration between Europe-based armament corporations. Here again, the end result was greatly increased capital concentration, and the formation of a few corporate giants.

Most European armament corporations, except the UK-based BAE Systems, are relatively smaller in size than their US counterparts. In any case, each major US and each Europe-based armament manufacturer since the beginning of the millennium has formed one or more alliances with a military corporations based on the other side of the Atlantic: Martin Lockheed has lined up with BAE System, the US's Boeing Corporation has opted for close cooperation with the Paris-based corporation Thales, etc. Hence, the idea of a new Atlanticism has not remained a dead letter, but has indeed borne the result which the US aimed at -- formation of a global defense industry in which US corporations by and large play the hegemonic role.

Lastly, sceptical analysts will argue that the mentioned realignments have little bearing on the discussion regarding missile defense. After all, it is precisely in the area of missile construction where (most) leading European armament corporations have built their own European consortium. This is the case of MBDA, a company formed seven years ago which, by 2007, had a recorded turnover of \$3 billion. When it was formed, corporate ownership in MBDA was shared by BAE Systems (37.5%), EADS (37.5%) and Finmeccanica (25%).

Surely, MBDA will canvas in Brussels to obtain a sizeable share in the pie of new orders that will arise from Nato's decision taken in Portugal. Yet, it would be wrong to presume that MBDA's existence is entirely extraneous to the new "transatlanticism" described above. On the contrary, MBDA reportedly has signed a special security agreement with the Pentagon, and has in the past signed at least two "teaming" agreements with Global -- one of which was concerned with Global missile defense (2004)!

Hence, the case of MBDA does not contradict, but appears to confirm, my interpretation of the significance of the Lisbon summit. Here, we witness the consummation of a wedding between two types of "atlanticism," i.e. Nato's traditional form of "atlanticism," in which the armies of Atlantic states join forces, and the "Atlanticism" in which armament corporations are interlinked.

Whereas Russia's rulers, who are being wooed by Nato, have perhaps not much to fear from the wedding, states like China and Brazil, belonging to the Global South, have little reason to be reassured. Nato is now committed to playing a military role well beyond the territory it historically assigned itself. See the war in Afghanistan. One wonders about the offensive significance which the combination of two "Atlanticisms" will have in the future.

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Exclusive for The Daily Star.

Dr. Peter Custers writes from Leiden, the Netherlands.

BBS statistics, ranged between 3.7% (1980/81-89/90) and 5.8% (2000/01-2007/08).

Currently, the country has around 66 million people living under the poverty line compared to 51.63 million in 1991-92 (BBS). Around 82 million of the estimated 165 million people earn on an average less than \$1.3 per day. Despite many other achievements, the growth rate fails to compete with poverty rate. However, it would be misleading to conclude that the country has not achieved needed poverty reduction rate due only to the lack of resources, or due mainly to high population growth rate. In fact, Bangladesh currently has a moderate population growth rate -- 1.55% compared to 1.58%, 1.59%, 2.47% and 3.59% in India, Pakistan, Afghanistan and Kuwait, respectively (2010 estimates of CIA World Factbook, 03 November 2010).

In terms of resources, Bangladesh is rich in gas, coal and, most importantly, human resources. The latter needs to be converted into a skilled labour force. Efficient resource utilisation was disrupted following emergence of autocracy that lasted till 1991. Lack of democracy and destruction of democratic institutions following the 1975 killings impacted adversely on the creation of an accountable system that could be instrumental in developing a macro-level resource management system and lead to good governance in the country.

The conclusion is that not all of the least developed countries are poor due to the lack of resources. Many of them have better stock of natural resources compared to many developed countries. Poor resource management system that impedes judicious resource-use instigates corruption, resource leakage, and disproportionate distribution and redistribution of national wealth, and slows the development pace of those countries. Thus, availability of resources, as perceived in previous development thought, is not fundamental to development; rather a good management system of even limited resources can yield significant positive impact on development.

Nigeria is a good example of how a

resourceful country may not attain expected growth and remain in poverty due to the lack of good governance. During 50 years of its independence, the country experienced military coups and ethnic and socio-cultural confrontations that deprived the general mass of their rights and privileges and compelled them to live in poverty. The country, with per capita Gross National Income (GNI) of \$2,156 and more than 158 million people, ranks 142 in HDI (2010 HDR, UNDP).

The same applies to Sudan, a country with long-lasting conflicts, which failed to utilise its growth potential and continues to remain as one of the Low Human Development Countries with HDI ranking of 154 and per capita GNI of \$2,051. The reverse is true for Qatar, Bahrain and Kuwait. With similar or even less available resources these countries attained HDI rankings of 38, 39 and 47, with per capita GNI of \$79,462, \$26,664 and \$55,719, respectively. Although they are not good governance models, they belong to High Human Development countries, while Nigeria and Sudan belong to Low Human Development Opec countries as per UNDP HDR.

It is evident that Bangladesh recorded better growth rates during the democratic regimes. The military rule and autocracy that persisted for almost half of the country's existence could not produce needed socio-economic growth. This is important, since it reflects how autocracy and non-participatory management systems produce bad results at the end of the day.

Proponents of military and autocratic regimes are wrong in calling for "punishing" the people for non-compliance, rather than creating a favourable environment for ensuring compliance at all levels through people's participation in state affairs, i.e. through strengthened democracy, democratic norms, values and institutions and comprehensive democratisation. It is recognised universally that only a truly democratic system is in a position to ensure needed pace of development and needed level of human rights.

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# Two forms of 'Atlanticism' combined

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PETER CUSTERS

ON November 20, representatives of Nato's 28 member states gathered in the Portuguese capital of Lisbon to decide on the future orientation of the military alliance. There were several key topics figuring on the agenda of the summit. One of the topics that, inevitably, was prominently discussed was the ongoing war in Afghanistan, pitting all of Nato's members against Afghan insurgents, i.e. the Taliban. Here, Nato ominously opted in favor of prolongation of its presence, ostensibly until 2014.

There further raged a controversy in Lisbon over President Obama's plans for reduced reliance on nuclear deterrence. Here, the two leading powers of Europe, France and Germany, stated diametrically opposed views. Nato's newly integrated member France insisted on the relevance of the traditional concept of nuclear deterrence. Germany went along with the US's idea of winding down nuclear tensions with Russia via abandonment of the concept of deterrence.

But the topic that decisively shaped the outcome of the Lisbon summit was that regarding construction of a missile defense shield by Nato, against unspecified enemies. Officially proposed by Nato's Secretary-General Rasmussen, the missile defense plan was for the first time approved by the alliance's member states. Equally significant was Russia's reaction to Nato's new plans. Whereas Russia in the past was vehemently against the missile defense shield that was championed by US President George W.

Bush -- Russian President Medvedev, who attended the summit, expressed guarded interest in cooperation with Nato's missile defense plan.

At the end of the summit, Nato's chief Rasmussen was euphoric over the outcome, calling it "historic." The given characterisation is justified, although it appears that most sections of the world press failed to pinpoint in what sense Nato's decision was unprecedented, and how it impacts on the rest of the world. Here, it needs to be noted first that the government of President Obama enthusiastically patronises Nato's new plans.

Rasmussen was clearly acting at the behest of Nato's dominant member state. Yet, Obama, only one year ago, and in fulfillment of electoral pledges, had called off his predecessor's plans for the building of a shield as protection of US territory against any incoming missiles. Instead, he had opted for a more modest version, one that was closer to the kind of missile shield which Nato has already put in place towards defense of its field troops -- the system known as Theatre Missile Defense (THAAD).

This Obama position too is now past. Hence, the US's promotion of a Nato missile shield represents a dramatic reversal in the position held by the US president.

The missiles, which reportedly are central to the new plans, are SM-3 rockets, which are already stationed on and can be fired from US warships. They are a part of the US's Aegis armament system, and are reportedly manufactured by Raytheon, one of the five giant armament corporations heading the US military sector.

There is, thus, prima facie evidence showing that in advising Nato to adopt common plans for missile defense, the US government is promoting the interests of its own armament corporations, which hope to benefit from future orders by Nato's expanded membership.

However, an analysis that limits itself to noting this fact still misses the most crucial point. Nato's Lisbon decision entails a marriage of two forms of "Atlanticism." The cooperation between industrial powers located on the two sides of the Atlantic from now on takes both the form of military and of military-industrial cooperation. Towards highlighting the latter point, it is necessary to take a longer view regarding the evolution in US government policymaking vis-à-vis its own military sector.

During the 1990s, when the US was ruled by Clinton -- who belonged to the Democratic Party, like the current American president -- the US's military sector went through several phases of restructuring. In the first phase, the sector underwent an internal process of restructuring. Many arms manufacturers existing then either merged with hitherto competitors or were taken over by other corporations. The end result was that the sector, by 1998, was dominated by merely five corporations, -- Martin-Lockheed, Boeing, Raytheon, General Dynamics and Northrop Grumman.

From then onwards, however, the US government, which itself had advocated the internal restructuring, continued moving forward. It started promoting yet another form of capital concentration. This time, the concentrations would entail mergers and joint ventures across the Atlantic, between US and European armament manufacturers.

This latter form of "Atlanticism" is novel in historical terms, for the US in the past had neither facilitated nor aspired for anything resembling cross-Atlantic alliance building by armament corporations. It further needs to be registered that the strategic orientation which the US government decided upon in the late 1990s dramatically impacted on restructuring inside Western Europe.



# The Bank of Goats

EUROPE is so over. Greece went bust, then Ireland. And there are loads of European countries you never hear about any more. What happened to Bohemia, Transylvania, Brattwurst, Sodor, etc?

I'd like to express my deepest sympathy for the European financial community, but I don't actually feel any. Take my banker friend Mr. X (not his real name). Everything he has is incredibly flashy and absolutely enormous: salary, cigar, home, car, ego, wife, child, dog.

Now, at last, ordinary folk like us have the pleasure of sneering at people like him. Let's enjoy it!

Over lunch I said: "I read that your economic superpower region fell to bits. Too bad. Maybe you can make another one."

He admitted that Europe had messed up, and said that a conference of international bankers recently concluded that they had to get back to basics.

Basics are what Asians are good at. I told him about the Bank of Goats in Korawan, Allahabad, India. It deals exclusively in goats, taking them in as deposits and lending them out when needed.

"You're joking," he said.

I shook my head. "I'm not. They even have a goat ATM, in case you urgently need a goat in the middle of the night. It's just like a normal ATM except the slot where they come out is huge. Sometimes the goats shoot out at high speed, knocking over the whole queue of people waiting to make withdrawals."

He stared, speechless.

I continued: "OK, that last bit about the ATM was a joke, but the rest is true. There really is a bank of goats in Allahabad, and loads of villages in India and China measure their wealth in farm animals."

He thoughtfully twirled the hair in his ears before asking: "But surely a bank of goats would be a creative new venture? How can you define that as back to basics?"

I sighed. How little bankers know about money! History lesson time. Money has been used as money for only 3,000 years, I told him. Farm animals have been used as money since the dawn of recorded history, or, to use the technical term favoured by historians, "for donkey's years."

I did a goat versus money comparison.

1) The euro is worth way less this year than last year. In that period, baby goats have doubled in size.

2) Euro bank accounts earn one per cent interest. "Lucky" goats with birthmarks can be sold at festivals for \$100,000.

3) In an emergency, a euro is an indigestible piece of paper. Served with poppadums, a goat is rogan josh.

My mind drifted. I imagined restructuring my life into a goat-based economy.

My wife would head off to the department stores with a small herd of the things, but she would probably only spend a couple of them on designer dresses before giving up in exhaustion.

And then the goats would eat the dresses.

And then she'd give up shopping forever.

The banker interrupted my reverie with a question: "But how can you chop up non-performing goats into little bits and trick institutional investors into putting their pension funds into them?"

I said: "You can't. That's the best bit."



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