James D Rogers: Accountability, transparency and governance in Sierra Leone

Keynote address and statement by Dr James D Rogers, Governor of the Bank of Sierra Leone, at the Second Audit Risk and Governance Africa Conference, Zanzibar, Tanzania, 17-20 July 2007.

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Mr Chairman, Conference Organisers, Distinguished Ladies and Gentlemen,

I wish firstly to thank the conference organisers for their kind invitation to deliver the keynote address at this conference on this very topical and important subject.

My remarks will be in six parts. After an Introduction, the First Part will consider the Meaning and Scope of Accountability, Transparency and Governance. The Second Part will examine the relationship between Governance and Development. Part Three will present Aspects of Governance in Sierra Leone. This will be followed by General Remarks in Part Four. Part Five concludes.

Introduction

Accountability and transparency have occupied a very high lead in discussions of state management. Hardly would a speech be delivered, at domestic or international gatherings, articles written, in the popular press or in professional and academic journals, on issues of state management, without at least an allusion to, if not an extensive treatment of, these concepts. Indeed, serious examination of these concepts takes us into the complexities of governance, aid conditionalities and effectiveness, international economic cooperation, sovereignty of developing countries, economic development, achievement of the millennium development goals, and associated issues.

It is within the context of these considerations that a fuller analysis and understanding of these concepts can be obtained. This, however, is a very wide agenda. There is an extensive and growing literature giving varying perspectives on the subject, and one can only be selective in the examination of the issues.

Meaning and scope

Accountability and transparency are major pillars in the architecture of governance. While governance itself is not uniquely defined in its various uses, as we shall discuss shortly, most definitions of the term implicitly or explicitly embrace the principles of accountability and transparency. Many examples can be cited in support of this position. A typical example of this is provided by Paul Wolfowitz, former President of the World Bank, who in a 2006 speech in Jakarta stated as follows: In the last half-century, we have developed a better understanding of what helps governments function effectively and achieve economic progress. In the development community, we have a phrase for it. We call it good governance. It is essentially the combination of transparent and accountable institutions; strong skills and competence, and a fundamental willingness to do the right thing.

Governance itself is not a new phenomenon. While its genesis may be traced to the Greek city-states, its meaning, purpose, practice and extent have evolved over the centuries, reflecting changing circumstances and specific concerns.

In the context of developing country relationships with the international donor community however, we are dealing with a recent manifestation, which surfaced in the 1990s. Hyden and Court in their 2002 Discussion Paper, Governance and Development, relate the emergence of this dimension of governance to the changing paradigms in thinking on development.

They trace the evolution of development thinking from the emphasis on projects to programmes, then to policies, and the latest recognition that in addition to these, politics is also important. The inclusion of the political dimension in development practice has altered the development landscape, prompting intrusion into aspects of policy earlier deemed beyond the limits of donor activity; with concomitant protests of violation of sovereignty and related controversies.

The concept of governance arising from this process is not precise in meaning. Despite attempts at distinguishing between the political, economic and administrative aspects of governance, its analytic and operational dimensions, and its constitutive and distributive elements, in the final analysis governance is essentially all-embracing in its essence. It percolates through the entire fabric of the political, economic and social life of a nation. Recognition of this is reflected in the diversity of definitions given to the concept. While it may be too time-consuming to provide a sampling of these definitions, the flavour of the concept can be savoured from the following statement of Vivien Collingwood of Nuffield College, Oxford in the paper, Good Governance and the World Bank. It states:

There are many competing views on what the term "good governance" should mean, but most donors agree that it should include some (if not all) of these: Increased public accountability and transparency; respect for and strengthening of the rule of law and anti-corruption measures; democratisation, decentralisation and local government reform; increased civil society participation in development; and respect for human rights and the environment.

Further, we are reminded that apart from the lack of precision in the meaning of governance, it is also an evolving concept, embracing new elements with the passage of time. This arises from its normative conception and the observation that "the values that provide the underpinning for governance are the values postulated by international donor institutions".

When it was initially embraced by the donor community in the early 1990s, it was seen as limited to the exercise of authority with respect to the management of resources for sound economic development. In the mid-1990s the requirements of transparency, accountability and participation were added to its characteristics. By 2000, the Development Assistance Committee of the OECD adopted a perception of good governance as requiring "a broad approach to partnership extending beyond government and parliaments to include civil society and the private sector", and adding to the notions of transparency and accountability that of predictability.

Given their centrality in the governance agenda, it would be advisable to expand a little on transparency and accountability.

Transparency refers to the need for openness in government policies and decisions. Such openness, and making available required information to the populace, will reduce the scope for misuse of resources and enhance public capacity for holding governments to account.

One of the crucial areas highlighted for attention in this regard is the budget. It is through the budget that the management of national resources is mainly implemented and the absence of transparency in budgeting processes can engender corruption, inefficiency and inequity, and compromise the provision of public services and the development effort. Particular focus is advised on public procurement. The use of open tender processes, publication of relevant information regarding award of contracts, easily accessible complaints procedures when foul pay is suspected, are among the crucial considerations for ensuring good governance in public financial management.

Similar approaches should be adopted in the management of revenues accruing from natural resources such as oil and other mineral wealth, forestry and fisheries resources. The contracts signed with foreign partners for the exploitation of these resources, the revenues accruing there from and the uses to which they are put should be readily accessible to the populace. Absence of transparency in these matters creates breeding houses for conclusion of arrangements which may not be of general national benefit, encourage misappropriation and exploitation of national resources in the interest of an elite minority, with a potential in the long run of threatening national cohesiveness and precipitating instability.

The case for transparency and good budgetary management assumes further significance in the evolving advocacy for channelling aid through the domestic budget. The provision of aid in the form of general budgetary support confers greater independence in the use of resources on recipient countries, stronger national ownership of development policies and programmes, and lower costs than those associated with multiple aid delivery modalities. For this intention to be achieved on a wide basis and the proffered benefits realised, donor governments and institutions must have confidence in mechanisms in place in recipient countries for the management of the budget. Worries about corruption and mismanagement are antithetical to this objective; hence the need for strengthened budgetary procedures, improved governance and transparency.

There is a strong perception in the donor community that international assistance is required to help strengthen the public financial management systems and processes in aid receiving countries, including oversight by parliament, audit boards and civil society. Apart from the technical dimensions of the intervention, it is considered pertinent that, as may be relevant, the recipient countries should subscribe and adhere to, internationally sanctioned arrangements, such as the Extractive Industries Transparency Initiative (EITI), to ensure appropriate disclosure of revenue accruals and maximisation of inflows from national resources.

Accountability is the natural concomitant of transparency. Indeed, the purpose of transparency is essentially the facilitation of accountability. In general, accountability refers to the obligation of those in authority to account to those on whose behalf they exercise such authority, for the discharge of the responsibilities entrusted to them. We can distinguish between financial, political and administrative elements of accountability. The exercise of accountability requires a system of laws, regulations and codes of conduct. In addition, mechanisms should be established for monitoring compliance and deviations, and institution of corrective measures.

Financial accountability, which tends to be the main focus in this context, pays special attention to budgetary processes. It is deemed a necessary condition for good governance; prudent management of public resources; reduced corruption; better delivery of services; and a support to efforts at poverty alleviation. Strengthening financial accountability requires reforms almost across the board, touching on the parliamentary, judicial and administrative structures and modalities of government, and could thus entail a far-reaching revamping of governance systems.

Governance and development

We may now wish to address some thoughts on the reasons for the recent emphasis on governance in the development discourse. We have already alluded to the relationship between changes in the development paradigm and the evolution of the governance concept. Specifically in the context of World Bank interventions to foster development in the third world, various strategies had been pursued since about the 1960s, but the effort had not yielded the expected results. In grappling with this problem, the perception gained ground that the institutions of the state were fundamental to the development process and the use of aid, hence the "institutions matter" perspective that eventually emerged. The 1989 "crisis of governance" in Sub-Saharan African report was a landmark in this evolution, which triggered the mainstreaming of governance in the Bank's development work. As the major development finance institution in the world, and a dominant influence in thinking on economic development, its ideas soon permeated not only the international financial institutions (IFIs) but the aid community generally.

The precise link forged between good governance and economic development is the raison d'etre of the central place accorded good governance in current international development discourse. Various formulations of this relationship have been propounded. Doorknobs for instance justify good governance, namely the fight against corruption, nepotism, bureaucracy and mismanagement, and the promotion of transparency, accountability and proper procedures, as ensuring the effective utilisation of aid for the achievement of poverty reduction. Other writers variously state that good governance is a pre-requisite for sustainable development in Africa. They stress the importance for growth and development of a predictable regulatory framework, efficiency and transparency in public administration and an independent judiciary. Others remark on the pressures arising from globalisation and the competition for aid and investment as major driving forces for good governance; and the comparative attractiveness to investors of a corrupt-free country, with sound policies and well-managed administrative and judicial systems.

The link between good governance and development is however not universally accepted and its implications are not always viewed positively.

It has been argued that the link between governance and poverty reduction is at best tenuous. While in some areas empirical evidence tends to suggest that good governance leads to positive growth outcomes, other evidence suggests that this may not be so. The case of some Asian countries, whose governance record is a far cry from the accepted blue print, but have posted impressive and sustained growth, has been cited as part of the contrary evidence.

Against this background, it is proposed that further research is needed to provide a definitive position on the matter. The possibility is expressed that though governance and poverty reduction may be correlated, the direction of causation may not be so clear.

Further, it is claimed that governance is a multi-dimensional concept and provides an avenue for intrusion into virtually every aspect of state functioning. It thus essentially compromises sovereignty in decision-making, and transfers accountability of government from its own citizens to the donor community.

Given the imprecision of the meaning and instability of the concept, approaches to its measurement run into difficulties and yield results of doubtful validity and reliability. Yet these measurements have become the basis for further conditionality in aid distribution and the introduction of selectivity in determining aid recipients. With the wide-spread inclusion of governance criteria in aid conditionality, there is a measure of stress imposed on recipient countries, which generally lack the capacity to pursue the wide range of reforms required, the urgency of some of which have been called into question by some informed observers.

Some critics see a more sinister dimension in the governance discourse, claiming that the whole purpose of the approach is to create in the developing countries the state-market relationships typical of Western neo-liberal systems. This is seen as exploitation by the donor community of developing countries' need for investment, aid and debt relief, to create conditions that will facilitate their infiltration by globalised financial interests.

The following statement in the July 2004 issue of South Bulletin is typical of this perspective:

"Whence this striking paradox, inherent in good governance, of calls going out from the international organisations to national governments that these latter adopt, indeed "appropriate", neo-liberal economic policies imposed from without while the globalised financial markets dispossess them of their sovereignty and insinuate themselves into the countries' ownership structure of capital".

The controversy continues on the link between governance and development, and while its proponents claim strong empirical evidence for it, there is strong assertion of the contrary, or at least agnostic, view in other quarters. It would seem that the jury is still out on this debate.

Aspects of governance in Sierra Leone

The principal donor institutions in Sierra Leone, as in most developing countries, are the World Bank, and the IMF. Donor support programmes coordinated by the World Bank are provided within the framework of the Bank's Country Assistance Strategy and the Poverty Reduction Strategy Paper. Following implementation of an Interim Poverty Reduction Strategy Paper, the Bank approved a full Poverty Reduction Strategy Paper for Sierra Leone in February 2005, covering the period 2006 – 2009. The major instrumentality for Fund assistance to Sierra Leone is the Poverty Reduction and Growth Facility (PRGF). A successor arrangement under this facility was agreed with Sierra Leone in 2006, covering the period 2006-2008.

It is important to stress that in their country intervention, the IMF and World Bank liaise with major players in the donor community and, to a greater extent than not, their programmes define the parameters for entry by other donors into the country's assistance programme. Consequently, although the overall assistance package usually involves inputs by a number of other parties, including the African Development Bank, bilateral donors and other donor agencies, the content and direction of the Fund and Bank programmes constitute the framework for essentially all other donor assistance.

Reflecting their concerns with governance, and predicated on their assertion that bad governance lies at the heart of the poverty problem in Sierra Leone, both the Bank and Fund programmes for the country lay stress on the governance factor in the PRSP and PRGF.

The PRSP, for example, has three pillars, the first of which is Promoting Good Governance, Peace and Security; the other two being Promoting Pro-Poor Sustainable Growth; and Promoting Human Development. One may note that within its wider interpretation, some commentators may include aspects of human development promotion under the general rubric of governance. The PRGF also contains a measure of governance requirements.

The governance dimensions of the PRSP emcompass a number of the standard elements of the governance package. It thus calls for action on public service reform; tax reform; strengthening public financial management and procurement; decentralisation; anti-corruption measures; and improvement of the statistical base. Specific measures include the institution of Public Expenditure Tracking Surveys (PETS); Medium Term Expenditure Framework (MTEF); Strengthening the Internal Audit Function; Improved Parliamentary Oversight of Budgetary Processes; and Procurement Reform.

Within the sphere of transparency, accountability and democracy, the anti-corruption agenda is emphasised, as well as strengthening the capacity of the National Electoral Commission. The decentralisation process should be pursued through the formulation and implementation of a devolution plan. A comprehensive civil service reform programme should also be formulated and implemented. There are also requirements for anti-money-laundering measures, as well as adoption and adherence to the Kimberley process for diamond marketing, and the Extractive Industries Transparency Initiative (EITI). Similar requirements are built into the PRGF.

Three points should be noted at this stage.

(1) The governance aspects built into the basic programmes of assistance from the World Bank and IMF are extensive and comprehensive;

(2) These requirements are conditionalities for release of funds and other assistance;

(3) In some cases they are triggers for other lines of action.

The following statement reflects the importance attached to governance issues in Sierra Leone's assistance programme by the donor community:

"To underline the importance of the quality of governance, government and its four budget support donors (ADB, DFID, EC and the World Bank) issued a joint communiqué in July 2006 referred to as the "Improved Governance and Accountability Pact". This pact reasserts the commitment of the government to good governance and it sets out a number of activities to be pursued through July 2007 in ten key areas. These include efforts related to: free and fair elections, anti-corruption, anti-money laundering, procurement, the Office of the Auditor-General, civil service reform, decentralisation and the role of non-state actors (notably the private sector and civil society), the creation of a more conducive investment environment, implementation of the extractive industries transparency initiative and better public service delivery in health and education. The Pact also commits the four budget support donors to further harmonisation around the government's programme".

Enforcement of the governance agenda is consequently exercised by the donor community through inclusion of governance requirements in the programmes of assistance agreed with the country; establishing them as conditionalities and trigger requirements for release of funds; providing technical assistance to ensure the performance of these elements of the programme, including provision of personnel in some cases. We may note in passing that action on all these requirements is in progress and the related programmes are in varying stages of implementation.

Civil society is also becoming increasingly important in trying to put pressure on government to deliver on governance issues. In the Sierra Leone context, special mention may be made of the Campaign for Good Governance, the Civil Societies Organisation, the 50/50 Group, the Lawyers Centre for Legal Assistance (LAWCLA) and other bodies. A recently established chapter of the Institute of Directors pays particular attention to the improvement of corporate governance. The press has continued to wage a governance campaign, especially with respect to anti-corruption matters.

Some general remarks

The governance debate is a difficult one, not least because of the imprecision of the concept and its multi-dimensionality. This opens room for a range of interpretations and the inclusion of diverse elements, rendering the basis of discussion somewhat fragile.

There is also a measure of ambivalence regarding its practical application and suspicion in some case of the motives underlying the significance attached to it by the donor community. Its link with poverty reduction is not uncontested, and questions also arise as to whether it is not really the Washington Consensus and structural adjustment in new clothing.

In the African context, there is admission of mis-governance in many areas of state management. In particular, corruption and impunity in public administration, conduct of elections, financial management and judicial processes, are bemoaned on a wide scale. Serious observers agree that there is a need to correct the institutional arrangements that create an avenue for some of the negatives observed in the governance of many countries. This admission notwithstanding, questions continue to be raised as to whether the range of measures subsumed in the governance package is appropriate to correcting these deficiencies.

The emphasis, it is believed in some quarters, should be on capacity building and helping countries to pursue home-grown development programmes. While admittedly there is a capacity building element in the governance package, the relevance of some specifics is brought into question. Thus, complaints are heard that some measures ignore the socio-cultural context in which the institutional changes are to be effected, thereby constituting an illegitimate transplantation of institutions into developing countries. Issue is made of the use of governance indicators as conditionality for assistance, and the onset of selectivity, rather than an attempt at providing more meaningful support for relevant institutional development.

Countries that accept the governance framework programme proposed by the donor community receive funding and support, while those more sceptical are more or less left out in the cold. Thus arises the questionable extent of linkage between governance, development and poverty alleviation. The fact that most African countries are so aid dependent compels acceptance of the governance conditionalities. Thus they are forced into a situation, which divests them of control of their economies, adopting policies that may not conduce to their long-term development, and making them easy prey for the interests of global capitalisation.

Yet the need for governance reforms in most African countries cannot be denied. Inadequacies in the institutional set-up undoubtedly need attention and correction to bring about efficiency and competence in the management of the state, and hence the ability to provide citizens with the services they require for their well being.

The plight of the developing countries compels resort to external assistance. Some economists, prominent among them Jeffrey Sachs, have proposed the need for a “big push” to help alleviate their problems. But the provision of such resources would inevitably require some conditionality, perhaps even more so the greater the resource injection. Yet there is the contention that the assistance should be in support of local reform efforts, based on local circumstances and priorities. Some observers assert that some of the governance problems in these countries arise from the very fact of poverty itself and that is the problem, which requires urgent and direct attention, and not the panoply of governance reforms.

But the approach to providing the assistance remains a polemical issue, opposing among others, sovereignty and resource provision. As Martin Wolf stated in the Financial Times of London in March 2004:

“If the sovereignty of such dysfunctional states is protected, their people will remain impoverished. If their people are to be helped, the sovereignty of their states must be challenged”.

But we may ask, do we have to confront such extremes? Could there not be a mean that could lead to a compromise that reduces the divergence in these polarised positions? Or must the payer of the piper continue to have exclusive control over the tune?

What seems really at issue is what Kemal Dervis has identified as the continuation of an ideological struggle. His statement in his book, A Better Globalisation, encapsulates the problem when he asserts:

“Humanity has not exhausted the great ideological debates; they are only changing in nature. The beginning of the 21st century is being shaped by a greater ideological debate about the nation-state and global governance, about the legitimacy of the use of power, and about public policy at the local, regional, national and supranational levels, all against a backdrop of huge inequalities in wealth, income and power that divide the world."

Conclusion

There certainly are governance challenges in Africa, which must be addressed. Fortunately, action is in progress with respect to many of these. Weak administrative structures, out-moded legal systems, poor financial management, corruption and impunity can only further stifle and impede the attraction of investment, the provision of public services, and alleviation of the plight of the bulk of our populace.

The extant approaches to resolving these problems, as championed by the international donor community, may not be adequate. We must consequently continue the international development dialogue in a bid to find more acceptable modalities for improvement in governance that will recognise, respect and incorporate legitimate concerns of aid recipients.