

**Nducho Larissa**

# **THE IMPACT OF GOVERNANCE ON ECONOMIC GROWTH**

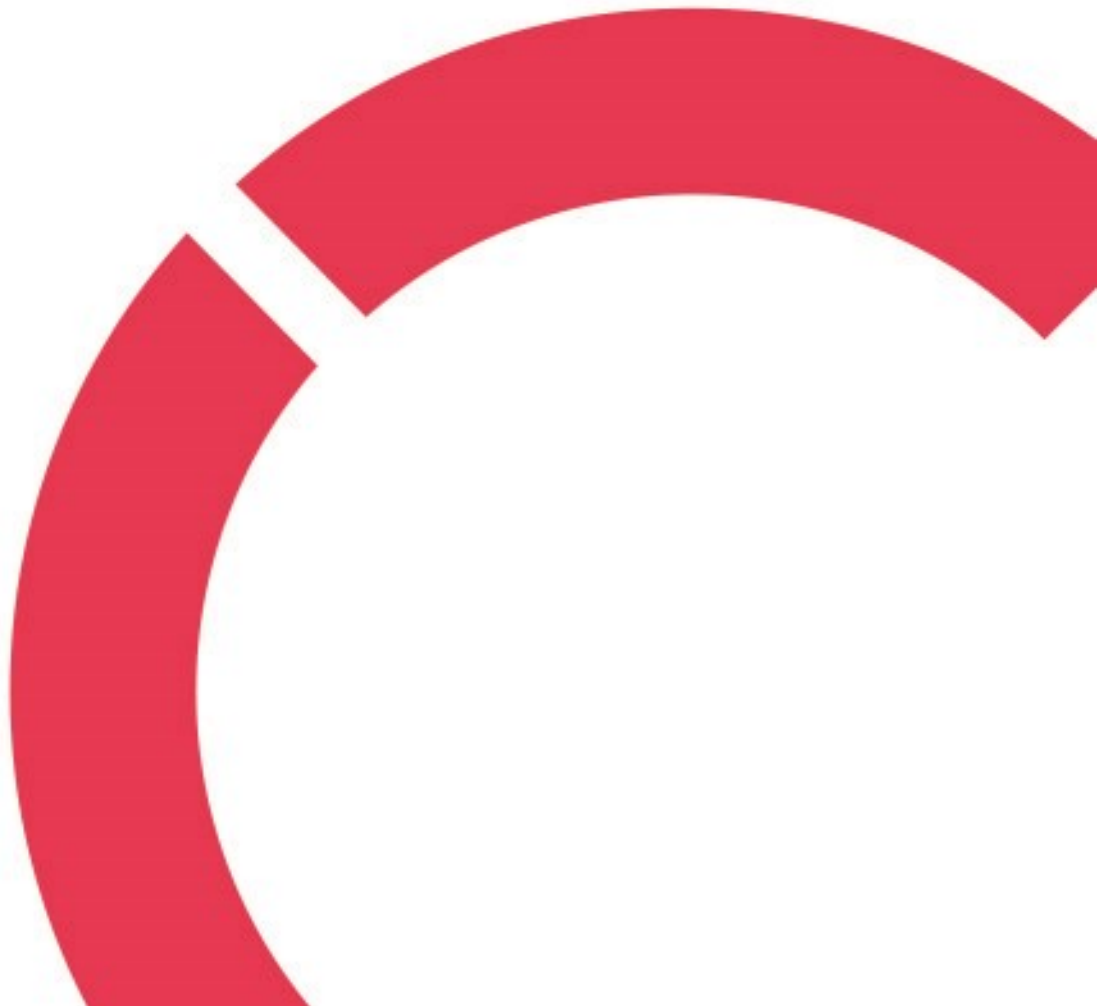
**A Comparative Analysis of Cameroon and Finland**

**Thesis**

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## ABSTRACT

<b>Centria University of Applied Sciences</b>	<b>Date</b> 11/10/2022	<b>Author</b> Nducho Larissa
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<p>The thesis assesses the impact of governance on economic growth in Cameroon in comparison to Finland. The aim of the thesis was to compare the impact of governance on the economic growth of the economy of Cameroon compared to the economy in Finland.</p> <p>The methodology used to analyse data for the thesis was the case study model. Data was gathered using qualitative approach. With the help of online articles, e books and journals, secondary data was gotten. The case models used were the capitals of the cities, Yaoundé in Cameroon and Helsinki. It was noticed that the level of economic growth due to good governance is relatively higher in Finland than in Cameroon.</p>		
<b>Key words:</b> Economic growth, Economy, Governance		

## CONCEPT DEFINITIONS

**Economy:** It is the total of all activities related to production, exchange and consumption, which interact to help in the determination of scarce resource allocation. (Investopedia 2021.)

**Economic Growth:** Economic growth can be defined as a positive change in the gross national product of a country and an increase in the per capita income.

**Governance:** The process of decision-making and the process by which decisions are implemented (or not implemented). Governance can be used in several contexts such as corporate governance, international governance, national governance and local governance.

## TABLE OF CONTENTS

### ABSTRACT

### CONCEPT DEFINITION

<b>1 INTRODUCTION.....</b>	<b>5</b>
<b>2 THEORETICAL FRAMEWORK .....</b>	<b>7</b>
2.1 Origin and Development of Governance in an Economy.....	8
2.2 Types of Governance .....	11
2.2.1 Market-Enhancing Versus Growth- Enhancing Governance .....	11
2.2.2 Growth-Enhancing Governance and Economic Growth .....	13
2.2.3 Market Enhancing versus Growth-Enhancing Governance .....	15
2.2.4 Governance, Economic Growth and Development since the 1960s .....	17
2.3 Benefit of Governances.....	19
2.4 How Governance affected economic growth in Cameroon .....	19
2.4.1 How Is The Cameroon Government Promoting Growth Through Governance? .....	21
2.4.2 How Governance Affect Economic Growth in Finland .....	22
<b>3 CONDUCTING THE RESEARCH .....</b>	<b>24</b>
3.1 INTRODUCTION .....	24
3.2 Development Challenges .....	26
3.3 The Data gathering method .....	27
3.3.1 The city of Douala, Cameroon .....	27
3.3.2 The economy of the city of Douala .....	28
3.3.3 A SWOT analysis for the city of Douala.....	30
3.4 The city of Helsinki, Finland.....	30
3.4.1The economy of Helsinki city .....	30
3.4.2 A SWOT analysis for the city of Helsinki.....	31
<b>4 DATA ANALYSIS AND RESULTS.....</b>	<b>33</b>
<b>5 CONCLUSION.....</b>	<b>35</b>
<b>REFERENCES.....</b>	<b>36</b>
<b>FIGURES</b>	
FIGURE 1. A SWOT Analysis of the city of Helsinki.....	33
FIGURE 2. A SWOT Analysis of the city of Douala.....	34

## 1 INTRODUCTION

Governance is needed in every economy to boost up the economy of that society. This positive development is accompanied with many lacks and criticism regarding good governance; particularly in the area of corruption, law enforcement, property and rights. Many political and economic scholars argue that good governance is one of the main factors, not only for the democratic development of the country, but it is also one of the primary factors in the economic growth (AG Gaghman 2020). However, some others are critical of this approach, arguing that this correlation can be only theoretical and there is not enough evidence to support it.

The aim of this thesis therefore is to study and find out the possible effects of governance on economic growth in Cameroon and in Finland and account for the possible differences in the level of impact of governance between the two countries. To understand these problem(s) clearly, it would be important understand the following aspects: The level of impact of governance in each of the case cities, to examine the effect of accountability of governance on economic growth in Cameroon and Finland, to examine the effect of governance on economic growth in Cameroon and Finland and to make recommendations.

This study is relevant in that it will enable the students of economics and management, rational thinkers to improve the body of scientific knowledge on good governance and economic growth through a better understanding of the relationship that exists between good governance and its fitness to the nations and government's missions and goals as well as its capacity to function as an engine to social development and economic growth. In addition, this research is relevant in governance.

It will help the government to efficiently and effectively use the country's potentials as well as economic and good governance knowledge for its development. Economic

growth is a challenge that Cameroon needs to overcome in order to be well integrated into the global economy. Moreover, this study is relevant in that it will help the economy to find its strength in terms of its inner dynamics and the expected impact on the living conditions of the population, giving that the country faces the challenge of economic growth and good governance that will help policy makers in the vision 2035. It will be relevant to the researcher.

Corruption obviously impedes the development of markets, drives away investments, increases the costs of doing business and undermines the rule of law. Core values such as respect for the rule of the law, probity, accountability, integrity and transparency must be safeguarded and promoted as the bedrock of development and fairness for all. In the end, business cannot prosper without appropriate and responsible corporate governance in an integer and transparent business environment.

## 2 THEORETICAL FRAMEWORK

The economy of development knew an incontestable theoretical renewal during the last decades following the attention carried out on the role of the institutions and the systems of governance that brought new answers to the question of the determinants of the growth. Institutions referred to the organisations, to the procedures and to the authorised setting that guided the economic activity in the considered country. These different factors can be seen through a synthetic indicator of the ‘good governance’, including the human and democratic rights, the political stability, the government’s efficiency, the simplicity and the speed of the administrative procedures, the respect of the right rules and struggle against corruption. The challenge of the ‘good governance’ is, therefore, to improve the management of the public sector, the responsibility of the public powers and the transparency in the management of public business.

The World Bank as well as the reformers of the government, considers that the ‘good governance’ is a universal imperative for a supportable development and a healthy climate for the investment. This is how several domestic, regional and global factors struggle to create a general climate auspicious to the reforms concerning governance (Hamadi, F., Rihab, B.A. and Lotfi, B.J. ,2009). Economic growth in the broad sense is the overall increase in the production level of a given country. This can be because of discovery of new natural endowment, change in production methods, which can lead to high productivity or simply, and investment in human capital, which will lead to availability of skilled labour. Many nations recently witnessed economic growth like China, the United Arab Emirates and many other countries mainly due to investment in human capital, discovery of natural resources and efficient utilisation of country's resources.

Though most studies show that governance has a positive relationship with economic growth, the case in sub-Sahara Africa is quite different due to numerous reasons.

## 2.1 Origin and Development of Governance in an Economy

Governance is now fashionable, but the concept is as old as human history. This work concentrates on the intellectual debates of the 1980s and 1990s, essentially since the term became widespread in development circles and prominent in the international public policy lexicon. Many academics and international practitioners employ 'governance' to connote a complex set of structures and processes, both public and private, while more popular writers tend to use it synonymously with 'government'.

Governance for the latter refers to characteristics that are generally associated with a system of national administration. The New Webster's International Dictionary defines the term in much the same way as journalists from the New YorkTimes or The Economist: 'act, manner, office, or power of governing; government', 'state of being governed', or 'method of government or regulation'.

As Morten Boas has shown, before being studied at the global level, governance was employed generically in academic discourse. It was, for instance, widely used in relationship to business literature about the micro behaviour of firms. GoranHyden has argued that it refers mainly to running governments and other public agencies or private ones with social purposes. Analysts of international relations and international civil servants, in contrast, now use the term almost exclusively to describe phenomena that go beyond a synonym for 'government' and the legal authority with which such policies are vested. For instance, the Commission on Global Governance defines governance 'as 'the sum of the many ways individuals and institutions, public and private, manage their common affairs. It is the continuing process through which conflicting or diverse interests may be accommodated and co-operative action may be taken, James Rosenau is the US academic most closely



associated with the term. And for him, whether at the grassroots or global levels, it 'encompasses the activities of governments, also includes the many other channels through which "commands «flow in the form of goals framed, directives issued, and policies pursued'.

Something of an intellectual cottage industry has arisen around the term over the past two decades. Since the early 1980s, 'governance 'and increasingly 'good governance' have permeated development discourse and especially research agendas and other activities funded by public and private banks and bilateral donors. Moreover, publications by scholars and eminent commissions have extensively used the term for contemporary global problem solving.

The emergence of governance can be traced at the country level to a disgruntlement with the state-dominated models of economic and social development so prevalent throughout the socialist bloc and much of the Third World in the 1950s, 1960s and 1970s. At the international level 'global governance' can be traced to a growing dissatisfaction among students of international relations with the realist and liberal-institutionalist theories that dominated the study of international organisation in the 1970s and 1980s. In particular, these failed to capture adequately the vast increase, in both numbers and influence, of non-state actors and the implications of technology in an age of globalisation (Thomas G Weiss, 2000).

This thesis takes seriously the proposition that ideas and concepts, both good and bad, have an impact. In pointing to the role of policy and academic 'scribblers', John Maynard Keynes wrote in 1936 that 'the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. This thesis thus seeks to correct the fact that ideas, whether economic or otherwise, have until recently

been ignored by students of international relations. It situates the emergence of governance, good governance and global governance, as well as the role of the United Nations (UN), (J.M. Keynes, 1936)

Economists agreed that governance is one of the critical factors explaining the divergence in performance across developed and developing countries. The differences of view between economists regarding governance are to do first with the type of state capacities that constitute the critical governance capacities necessary for the acceleration of development and secondly with the importance of governance relative to other factors as early stages of growth.

On the first issue there is an important empirical and theoretical controversy between liberal economists who constitute the mainstream consensus on good governance statistics and heterodox institutional economists who agreed that governance is critical for economic development but argued that theory and evidence show that the governance capacities required for successful development are substantially different from those identified by the good governance analysis. The economist in favour of good governance argued that the critical state capacities are those that maintain efficient markets and restrict the activities of state to the provision of necessary public goods to minimize rent seeking and government failure. The relative failure of many developing countries unlike developed countries are explained by the attempts of their state to do too much, resulting in the unleashing of unproductive rent seeking activities and the crowding out of productive markets. The empirical support for this argument typically comes from cross sectional data on governance in developing countries that shows that in general, countries with better governance defined in these terms performed better. (M. H. Khan 2007).

## **2.2 Types of Governance**

There are many types of governance I know of, which are public governance, private governance, global governance, corporate governance, market enhancing governance and growth governance. Cameroon has a unilateral system of governance with ten regions and he controls the ten regions. Finland has a parliamentary system of governance.

### **2.2.1 Market-Enhancing Versus Growth- Enhancing Governance**

To highlight the differences between the different economic approaches to governance, we will make a distinction between what we will call market enhancing and growth enhancing governance. The good governance argument that is frequently referred to the governance literature and in policy discussions essentially identifies the importance of governance capacities that are necessary for ensuring the efficiency of market.

The assumption is that if states can ensure efficient market private investors will drive economic growth. This approach is one that implicitly stresses the priority of developing market-enhancing governance and it's currently the dominant paradigm supported by international development and financial agencies.

The importance of markets in fostering and enabling economic development is not in question. Economic growth is likely to be more rapid if market mediating resource allocation becomes more efficient. The development debate has rather been about the extent to which a market can be made efficient and whether maximizing the efficiency of market is sufficient to maximize the pace of development. Heterodox approaches to govern-

ance have argued that markets are inherently inefficient in developing countries than developed nations and even with the best political will, structural characteristics of the economy ensure that market efficiency will remain low till a substantial degree of development is achieved.

Given the structural limitations of the market in developing countries, successful development requires critical governance capacity of nations to accelerate accumulation and ensure productivity growth. In support of the argument, economists point to the evidence of the successful East Asian developers of the last 5 decades where state governance capacities typically amounted to a lot more than the capacities necessary for ensuring conditions for efficient markets. This approach identifies the importance of a different set of governance capabilities that can be described as growth-enhancing governance. In the market-enhancing view, the governance capabilities that are critical include the state capability to maintain stable property rights, since contested or unclear property rights raise the transaction cost of buyers and sellers and prevent potential buyer's transactions and investment taking place. For property rights to be stable, the state in particular has to constrain itself from expropriating the fruits of private investors, so another critical governance condition in this analysis is the credibility of government in assuring investors of low expropriation risk. Efficient market also requires governance capabilities to ensure efficient and low cost contracting and dispute resolution.

These require intend a good legal system. The same economic theory tells us that markets require low corruption as corruption increases transaction cost as well as allowing the disruptions of contracts and property right. Corruption as a form of rent seeking can also result in the creation and maintenance of damaging rent. Finally, efficient markets require that the state will deliver public goods that the private sector cannot provide, and theory says that this requires an accountable and transparent government to convert a collective willingness to pay into efficient delivery of public good and services. In theory, these governance capabilities should together ensure the efficiency of the market and

from this term much of the good governance analysis of the rule of governance in economic development, (M. H. Khan, 2007).

### **2.2.2 Growth-Enhancing Governance and Economic Growth**

The argument for market enhancing governance that we have examined so far is that if efficient markets can be constructed, they will attract the most profitable technologies to a developing country. In contrast, the case for growth-enhancing governance argues that the most efficient markets that developing countries can construct will at best be relatively be inefficient in transferring assets and resources to growth sectors. In addition, its also likely to attract low technology and low valued added activities into the developing countries as these are the only activities that are currently profitable given the technological probabilities of the typical developing countries. If technological capacity development is accelerated, very high return is likely in the future. However, projects that are in to enhance technological capacities involve learning how to use new technologies and new method of organising work practices.

This involve potentially long periods of losses with the promise of high profitability in the future but only if there is very rapid and disciplined learning. For private investors in developing countries the uncertainty involved in investing in this type of learning is typically too high to worth the risk given that alternative investment opportunities are less risky and immediately profitable. Rapid catching up therefore requires complimentary growth-enhancing intervention by the state and the government capabilities to ensure that they are effectively implemented and enforced.

If the requisite governance capacities are missing, a growth-enhancing strategy may deliver worse outcomes than a market-led strategy, as poorly implemented interventions

may worsen and resource allocation as well as inducing high rent seeking cost. However, even a failed growth strategy can sometimes have unintended consequences that are potentially useful if it developed human capital even.

The problem for growth-enhancing strategies is that while there is a credible theoretical case for intervention in late developers to assist them to move rapidly up the technology ladder, the effective implementation of such strategies typically also require very effective governance capabilities to supplement the discipline imposed by the market. When states create incentives and opportunities to assist resource allocation or technology acquisition, the market on its own may well not suffice as a disciplining mechanism. Governance capacities are now required to ensure that moral hazard problems do not subvert the growth-enhancing strategy. The precise governance requirements depend on the specific mechanisms through which the state attempts to accelerate technology acquisition and investment. The diversity of the policy mechanisms through which Asian countries accelerated catching up demonstrate that while there is clearly no single set of governance requirements to ensure that interventions for catching up are effective, the governance capabilities have to be appropriate for ensuring that the growth-enhancing interventions are effectively implemented and enforced.

### 2.2.3 Market Enhancing versus Growth-Enhancing Governance

To highlight the differences between the different economic approaches to governance, we will make a distinction between what we will call ‘market-enhancing’ and ‘growth-enhancing’ governance. The good governance argument that is frequently referred to in the governance literature and in policy discussions essentially identifies the importance of governance capacities that are necessary for ensuring the efficiency of markets. The assumption is that if states can ensure efficient markets, (in particular by enforcing property rights, a rule of law, reducing corruption and committing not to expropriate), private investors will drive economic development. This approach is one that implicitly stresses the priority of developing market-enhancing governance, and is currently the dominant paradigm supported by international development and financial agencies

The importance of markets in fostering and enabling economic development is not in questions. Economic development is likely to be more rapid if markets mediating resource allocation (in any country) become more efficient. The development debate has rather been about the extent to which markets can be made efficient in developing countries, and whether maximizing the efficiency of markets (and certainly maximizing their efficiency to the degree that is achievable in developing countries) is sufficient to maximize the pace of development.

Heterodox approaches to governance have argued that markets are inherently inefficient in developing countries and even with the best political will, structural characteristics of the economy ensure that market efficiency will remain low until a substantial degree of development is achieved. Given the structural limitations of markets in developing countries, successful development requires critical governance capacities of states to accelerate accumulation (in both the private and public sectors) and ensure productivity growth (again in both sectors). In support of these arguments, they point to the evidence of the successful East Asian developers of the last five decades, where state governance

capacities typically amounted to a lot more than the capacities necessary for ensuring conditions for efficient markets. In fact, in terms of the market-enhancing conditions prioritized by the good governance approach, East Asian states often performed rather poorly. Instead, they had effective institutions that could accelerate growth in conditions of technological backwardness and high transaction costs. This approach identifies the importance of a different set of governance capabilities that can be described as growth-enhancing governance.

While a sharp distinction between these two approaches need not exist, it has been unfortunate for policy-making in poor countries that a somewhat artificial chasm emerged between these positions with the growing dominance of the liberal economic consensus of the 1980s. The new consensus was responding to the failure of many state-led industrialization policies in developing countries that had resulted in large non-performing industrial sectors in many of these countries by the 1970s. Instead of examining what was different about these cases compared to the successful developers, the new consensus argued that economic problems in these countries were mainly due to their attempt to correct market failures through state interventions. It concluded that the costs of state failure were significantly greater than the costs of market.



### **2.2.4 Governance, Economic Growth and Development since the 1960s**

Government policy should only focus on making markets more efficient (Krueger, 1990). The contribution of the New Institutional Economics that emerged at about the same time was to point out that efficient markets in turn require elaborate governance structures. From this emerged an analysis of the governance requirements for development based on the underlying assumption that efficient markets were the most important contribution that states could make to the development process. The goal of governance should therefore be to enhance what we describe as market-enhancing conditions (North, 1990; Kauffman, Kraay and Zoido-Lobaton, 1999).

In contrast to this view, an alternative body of economic theory and considerable historical evidence supports a different view of the governance capabilities required for accelerating economic development in poor countries. This theory and evidence identifies the importance of governance capabilities that can directly accelerate growth in a context of structurally weak markets and very specific ‘catching-up problems’ faced by developing countries. Specific governance capacities are required for assisting the allocation of assets and resources to higher productivity and higher growth sectors using both market and non-market mechanisms and that can accelerate productivity growth by assisting the absorption and learning of new technologies.

While the consensus development orthodoxy of the 1950s and 1960s recognized many of these functions as important in the context of significant market failures in developing countries, it did not adequately recognize that the successful implementation of these strategies required a complementary set of governance capabilities. This is why the failure of these strategies in many countries and their dramatic success in a small number of East Asian countries could not be satisfactorily explained at the time. These governance capabilities required for ensuring the effective implementation of growth-enhancing strategies are what we describe as growth-enhancing governance capabilities.

According to this view, the role of governance reform is to achieve this critical growth enhancing governance capabilities. These governance capabilities are substantially different from those identified in the market-enhancing view. The two sets of governance capabilities are not necessarily mutually exclusive, but the distinction between them is important, particularly if an exclusive focus on market-enhancing governance diminishes the capacity of states to accelerate development.

The section after that summarizes the empirical evidence. In the market-enhancing view, the governance capabilities that are critical include the state's capability to maintain stable property rights, since contested or unclear property rights raise the transaction costs of buyers and sellers and prevent potential market transactions and investments taking place. For property rights to be stable, the state in particular has to constrain itself from expropriating the fruits of private investment, so another critical governance condition in this analysis is the credibility of government in assuring investors of low expropriation risk. Efficient markets also require governance capabilities to ensure efficient and low-cost contracting and dispute resolution. This requires in turn a good legal system. The same economic theory tells us that markets require low corruption as corruption increases transaction costs as well as allowing corruption as corruption increases transaction costs as well as allowing the disruption of contracts and property rights. Corruption as a form of rent seeking can also result in the creation and maintenance of damaging rents. Finally, efficient markets require that the state will deliver public goods that the private sector cannot provide, and theory says that this requires an accountable and transparent government to convert a collective willingness to pay into efficient delivery of public goods and services. In theory, these governance capabilities should together ensure the efficiency of markets and from this stems much of the 'good governance' analysis of the role of governance in economic development. (M. H. Khan, 2007).

## **2.3 Benefit of Governances**

Governance improved the project management capabilities within nations. Governance concerned with improvement and efficient control of the performance of project management resources, as well as communication and engagement of stakeholders. Governance makes sure that individuals' effort are not wasted and are efficiently utilized to satisfy the need of the nation. Governance encourages the development of honesty culture within the nation. Project managers and senior management members are encouraged to report honestly and early about the problems they are having. Another one of the key benefit of governance is elaborating the sponsorship role in organisation.

## **2.4 How Governance affected economic growth in Cameroon**

Socioeconomic conditions in sub-Saharan African countries deteriorated sharply during the 1980s, a decade that is widely regarded as Africa's "lost decade" of development opportunities (Iyoha, 1999). During this period, the economies of most countries in the region collapsed, in spite of the agenda for action the World Bank and other concerned organizations and donors had come up with (World Bank, 1981). Two reasons have been given for the collapse of these economies: (a) external oil price shocks, economic slowdown in the Organisation for Economic Co-operation and Development (OECD) countries and the collapse of world commodity prices; and (b) internal poor management and the failure or inability of many of these countries to adapt to the changed external environment. The countries of the sub-region could not realign their domestic policies to meet the changing situation of the world, driven by the forces of globalization.

Many countries in the sub-region, including Cameroon, responded with structural adjustment programmes supported by the World Bank and the International Monetary

Fund. These measures were aimed at inducing growth, restoring price stability and reducing external imbalances. However, the structural adjustment program measures have not produced the intended results. Whether this is because they were introduced somewhat brutally without adequate preparation or because of socio-cultural and socio-political reasons or both, they have led to the rapid accumulation of debts, leading to heavy indebtedness and exacerbating the poverty in many of the countries. The yoke of debts debt burden has crowded out investments in many instances, and reduced most of these countries to heavily indebted poor countries.

Cameroon, a sub Saharan country with a population of over 25 million people according to the united nation 2020 statistics is a developing country with a GDP of 37.8 billion US dollars according to the national institute of statistics. Cameroon functions under a unitary presidential republic whereby the president of the country both serves as the head of state and the head of the government: The above tells a lot about governance in that countries autocratic form of governance where one person has absolute power to make decisions whether good or bad.

The consequences of the above are always very severe and most of the times are transferred to generations. A good example to depict the above situation is back in the 1990s Economic crisis period with wrong responses from the Cameroon government which then made Cameroon to find itself today as one of the heavily indebted poor countries.

From the above ,though governance can be considered as part of the causes of under development in Cameroon, it can clearly be seen that it is a major cause of underdevelopment in the country. With significant natural resources in the country like petroleum, forestry and a rich agricultural base, the country was expected to be the most developed in sub-Saharan Africa. So, it is clear that, governance has a negative impact on economic growth in Cameroon because the response to the economic shocks were inadequate

and more to that, they have been continuous embezzlement of state funds, poor allocation of resources, lack of infrastructure for the objective of economic growth to be attained.

#### **2.4.1 How Is The Cameroon Government Promoting Growth Through Governance?**

Nevertheless, Cameroon's government has been coming up with solutions to enhance economic growth, most scholars still believe that the government actions are inadequate. The government has recently been spending most of its budget on investment projects which are expected to enhance the economic growth by attracting huge foreign direct investment, thereby creating employment and raising the living standard of Cameroonians. Examples are the construction of bridges and roads. The government formulated a document in 2010 called vision 2035 which shows the road map for the emergence by that year. Therefore, there are some positive indicators concerning growth in Cameroon though there is still much to be done by the government for the country to attain its objective of a developed country by 2035.

### 2.4.2 How Governance Affect Economic Growth in Finland

Finland, a Scandinavian country with a population of 5.5331 people according to the world bank in 2020 with a mixed economy system, is characterised by a high level of industrialisation with a small domestic ready market and openness to trade, Finland is already a developed country with a GDP of \$315 billion nominal (2020 estimates) and occupies a 42nd global GDP rank. The country is highly integrated in the global economy and international trade with its exports representing over a third of its GDP.

The politics of Finland takes place within the framework of a parliamentary representative democracy. The country is a republic whose head of state is the president. Finland attained Economic growth because of numerous reasons and governance has played a major role.

Finland's mature system of governance allows stakeholders to identify problems, formulate solutions and advance social well-being, earning the Nordic country top marks in international rankings. Freedom House has repeatedly awarded Finland the highest ranking worldwide on political liberties and civil rights. Since 2008, the country has also on several occasions topped Reporters without Borders' World Press Freedom Index; in the 2017 ranking, Finland was placed 3rd, after Norway and Sweden. After a 2008 scandal concerning party and electoral campaign financing, Finland dropped from the top position in global anti-corruption rankings. In 2017, the country ranks third on Transparency International's Corruption Perceptions Index.

Though the country has faced contraction in recent years, the government of Finland has come up with strong economic policies, like good taxation policies, which are effective, structural policy programs, and public-finance adjustment policies. Consequently, the government's economic policy program has aimed at strengthening the economy's growth potential, raising the employment rate, bolstering household spending power

and improving international competitiveness. From the above, it is clear that governance in Finland has helped the Finns to attain economic growth and which is why they are often classified as the happiest country in the world thus a positive impact.

### **3 CONDUCTING THE RESEARCH**

There are two market research methodologies. There is the qualitative research methodology and the quantitative research methodology. Quantitative research methodology deals with data that can be measured and as such can be expressed using numbers, while qualitative research methodology deals with data that is usually descriptive in nature.

#### **3.1 INTRODUCTION**

There are two major market research methodologies. There is the qualitative research methodology and the quantitative research methodology. Quantitative research methodology deals with data that can be measured, and as such can be expressed using numbers, while qualitative research methodology deals with data that is usually descriptive in nature.

Cameroon is a lower-middle-income country with a population of over 25 million in 2019. Located along the Atlantic Ocean, it shares its borders with the Central African Republic, Chad, Equatorial Guinea, Gabon, and Nigeria. Two of its bordering regions with Nigeria (northwest and southwest) are Anglophone, while the rest of the country is Francophone. Cameroon is endowed with rich natural resources, including oil and gas, mineral ores, and high-value species of timber, and agricultural products, such as coffee, cotton, cocoa, maize, and cassava.

The first regional elections were held in December 2020. The ruling party, the Cameroon People's Democratic Movement (CPDM), won nine of the ten regions. These elections mark the start of the decentralization process provided for in the 1996 Constitution. The new regional councillors will work with the Ministry of Decentralization and



Local Development to pave the way for the gradual transfer of power and the necessary funds to the regions.

Having enjoyed several decades of stability, Cameroon has in recent years been grappling with attacks by Boko Haram in the Far North and a secessionist insurgency in the Anglophone regions. Since September 2017, this situation has displaced more than 500,000 persons internally and claimed the lives of close to 400 civilians and over 200 law enforcement officers. Following the resurgence of the crisis in the Central African Republic since January 2021, more than 6,000 Central Africans refugees have fled to Cameroon's eastern region, which is already hosting over 60 % of Central African refugees.

According to the UN Refugee Agency (UNHCR, 2022) Cameroon was hosting over 460,000 refugees, primarily from the Central African Republic (320,000) and Nigeria (120,000).

Because its poverty reduction rate is lagging behind its population growth rate, the overall number of poor in Cameroon increased by 12 % to 8.1 million between 2007 and 2014, and poverty is concentrated in the country's northern regions, where 56 % of the poor live.

In 2020, the COVID-19 pandemic caused a significant deterioration in economic activity. Household and business income losses linked to social distancing measures and the uncertainty surrounding the course of the pandemic led to a sharp decline in consumption. Public and private investments were also adversely affected. Public services, such as schools and non-COVID-related health services, were severely disrupted. The use of family planning and prenatal care services fell by 37 % and 18 %, respectively. It is estimated that the crisis increased the extreme poverty rate from 24.5 % in 2019 to 25.3 % in 2021 (World Bank data 2021).

### 3.2 Development Challenges

Ranked 144 out of 180 countries in the 2021 Transparency International corruption perceptions index, Cameroon suffers from weak governance, hindering its development and ability to attract investors.

Finland, a Nordic country in Northern Europe, is bordered by Sweden to the west, Norway to the north, and Russia to the east, while Estonia lies to its south across the Gulf of Finland. It is divided into five regions, with Helsinki as the capital. The official languages of Finland are Finnish and Swedish, and the currency is the euro (EUR).

The politics of Finland take place within the framework of a parliamentary representative democracy. Finland is a republic whose head of state is President Sauli Niinistö, who leads the nation's foreign policy and is the supreme commander of the Finnish Defence Forces.

The currency used in Finland is the Euro. It has a Gross domestic product: 271.2 billion USD (2020) World Bank, hence, a GDP per capita: 49,041.34 USD (2020) World Bank. GNI per capita: 51,650 PPP dollars (2020) World Bank. The Unemployment rate: 7.8% (Jul 2020) Eurostat. The total Government debt: 59.4% of GDP (2019) Eurostat. The GDP growth rate: -2.8% annual change (2020) (World Bank data 2020).

The field of social sciences enjoys a world analytical models that can be used in research studies. The qualitative research approach is chosen for this thesis, using the case study model to find out how governance can have a positive impact on an economy. Information collected for the thesis was therefore developed through qualitative research. The qualitative research design was done using the case study model.

### **3.3 The Data gathering method**

There are several methods used to execute a research. The case appears to be one of the most popular, among others. This is because it gives an in-depth knowledge about a subject under study. The methodology that was used to collect data for this research work is the SWOT analysis case study model. Furthermore, the only source of material and information for this report was the secondary source of data. Various publications and other research work on governance in the business sector were reviewed. Economic performance regarding governance, economic growth and development were also reviewed.

Information was also gathered from online sources, and e-books, especially those found in Centria University library online. A SWOT analysis and background information has been carried out for each of the cities under review. The data gathered sufficiently provided information needed about the economic performance of the two cities (Douala and Helsinki) under review.

#### **3.3.1 The city of Douala, Cameroon**

Douala is the economic capital of Cameroon. It has a highly dense population with over 2.5 million inhabitants. Douala is among the largest and fastest growing cities in Africa and the seventh fastest growing city in world. In Africa, Douala is the eight megacity with the highest GDP and the second largest city in Cameroon. More than 60% of Cameroon's commercial and industrial activities take place in Douala, making it the center of economic activities in Cameroon. This accounts for the increasing population in the city. People in other parts of Cameroon move to Douala to seek greener pastures. Entrepreneurs also believe that, establishing their business in Douala will be profitable for them as the city already has a relatively large market. With the construction of the

Douala airport and seaport, Douala has expanded more in international trade as these transport routes serve as a hub to hundreds of destinations globally. This has attracted huge foreign direct investments in the city. (Dr. Ijeoma & Tamlire, 2015).

### **3.3.2 The economy of the city of Douala**

Cameroon is a country that has been plagued with religious crises over the years. Christians and Muslims have always been at loggerheads with each other, which have resulted in chaos. Such activities hinder economic growth and development especially as people fear what might happen. Most people have often fled from other parts of the country. Douala is the economic capital of Cameroon. It is a city of diversity, especially as people from other tribes come there to look for greener pastures, usually engaging in one form of business or the other. People with different religious orientations have lived in this city peacefully. (Whiteman 2012, 46.)

We can therefore deduce from this that the growth of governance in this city is as a result the peaceful harmony of many religions. Douala city is projected to become one of the largest cities of the world. The United Nations estimated the population of Douala to be between two and three million people. According to their projections, Douala will be ranked the third largest city in the world by 2025. (Whiteman 2012, 295.) Douala is strategically located, and this accounts for the fact that trade has flourished in the city. More than 80% of Central African flights transit via the Douala airport, thus making the city easily reachable by many neighboring countries.

Over the past decade, the Douala state government has invested heavily in education. The result of this is the fact that, more skilled labor force is available for work. This is one key factor that affects the location of industries in a particular location. The GDP of Cameroon would not be what it is if not for the contributions coming from Douala.

About 30% of Cameroon's GDP is contributed by Douala alone. Douala is financially buoyant, generating over three quarters of its revenue internally. This is the highest income-generating city in Cameroon. Douala alone has the highest concentration of manufacturing industries in Cameroon. With all these factors present, the growth of the spirit of governance becomes inevitable in such a megacity. (Internet Geography 2021.) The growth and expansion of a city usually comes with many challenges, and Douala city is not an exception.

The growth of output or production does not directly mean an increase in the wealth of the masses. Though there may be such growth in output, there is a chance that, most of the population might be getting poorer. (Lewis 2003, 9) Even though a huge sum of internal revenue is being generated from Douala city, this city has also experienced a large inflow of the Cameroon population. The internally generated revenue is not sufficient to meet the growing population's welfare needs. The growth in this city has also brought about uneven distribution of wealth and as such brought about a big gap between the rich and the poor. While many people have flourished alongside the growth of the city, others can barely afford to feed themselves. While rich people can afford to channel water to their homes and buy generators to power their home, the poor masses are left to depend on public taps, buying water from retailers and electricity barely provided by the government. Most of them are living on approximately £1 per day, which is way below the poverty line. Increase in Douala population also means that more pressure will be mounted on existing infrastructures. This has given the Douala state government a hard time to manage and maintain its infrastructures. (Internet Geography 2021.)

### **3.3.3 A SWOT analysis for the city of Douala**

A SWOT analysis usually involves three phases. These phases are briefly examined in the paragraphs below. It was important to carry out an external appraisal of Douala city. As this process involves examining the external environment of Douala and tries to identify its economic strengths and opportunities, and possible way to convert these threats into more opportunities. After carrying out an external appraisal of Douala city, the second step was to carry out an internal appraisal. Just like the external appraisal, the internal appraisal involves assessing the internal Douala city environment to identify its strengths and opportunities and possibilities of converting such threats into opportunities. Lastly, after identifying the strengths and opportunities of Douala city, both have been combined to take full advantage of the vast and attractive opportunities available in the city. The strengths, weaknesses, opportunities and threats identified using the SWOT analysis can be used by the Douala city government to encourage and develop entrepreneurial endeavors.

### **3.4 The city of Helsinki**

Helsinki is the capital of Finland. As far back as the 17th century, the early settlers of Helsinki region came from Hälsingland, which is today central Sweden. They called this region Helsinga that is today called Helsinki. Finland is a small country in terms of population. The population of Finland is just over 5million. This is just about one third of the population of Douala city. The largest city in Finland is Helsinki with a population of about 1.4 million, making it the most populated city in Finland and the most valuable center for finance, politics, culture and governance. (Visit Finland 2018.)

### **3.4.1 The economy of Helsinki city**

The city of Helsinki is very instrumental in the performance of the Finnish economy. Helsinki alone accounts for about one-third of Finland's GDP. The city has the highest concentration of economic activities in Finland and is one of the richest cities in Europe. One of the greatest contributions to the Helsinki GDP is the money it gets from its service sectors like information technology and public sectors. Helsinki is more of a service-oriented city and the largest employer. For instance, social welfare and health care services employs the highest number of people. As far back as 2010, the GDP of Helsinki was €72,508 million. This figure has however increased over the years and according to reports from Eurostat, the GDP of Helsinki as at 2018 stood at €91,241 million, which accounts for 38.9% of total Finland's GDP. Even though Finland's economy has grown since 2014, Helsinki has grown relatively more than other cities in Finland and unemployment levels ceased to increase since 2016. (Helsinki 2019.)

### **3.4.2 A SWOT analysis for the city of Helsinki**

In order to meet the objectives of this research work, a SWOT analysis for the city of Helsinki needed to be done. Just as it was done in the city of Douala, the same procedures were carried out in the city of Helsinki on order to meet the objectives of this thesis.

To proceed with this research, it was important to carry out an external appraisal of Helsinki city. This process involves examining the external environment of Helsinki economy and tries to identify its economic strengths and opportunities, and possible way to convert these threats into more opportunities.

After carrying out an external appraisal of Helsinki city, the second step was to carry out an internal appraisal. Just like the external appraisal, the internal appraisal involves

assessing the internal city of Helsinki economic environment to identify its strengths and opportunities and possibilities of converting such threats into opportunities.

Lastly, after identifying the strengths and opportunities of Helsinki city, both have been combined to take full advantage of the vast and attractive opportunities available in the city. The strengths, weaknesses, opportunities and threats identified using the SWOT analysis can be used by the Helsinki city government to encourage and develop entrepreneurial endeavors.



## 4 DATA ANALYSIS AND RESULTS

This chapter analyses the data gathered earlier and provides us with reasons why governance can either fail or thrive certain circumstances. A SWOT analysis is used here to measure or compare the economic growth in the cities of Helsinki and Douala. This is shown in figure 1 and 2 below.

<b>Opportunities</b> Steady economic growth. Strong support from Finnish government. Strong Finish economy.	<b>Threats</b> New regulations. New competitors.
<b>Strengths</b> Good technologies. Skilled workforce. Growing levels of economic growth.	<b>Weaknesses</b> Ageing population. Highly vulnerable to international economic conditions.

Figure 1. A SWOT Analysis of the city of Helsinki

Based on information in the SWOT analysis above, the city of Helsinki is matching its strength of growing levels of economic growth. For those reasons, it is logical to argue that there are higher chances good governance and economic growth in the city of Helsinki.

On the other hand, in figure 2

<p><b>Strengths</b></p> <p>Political leaders are preserving their position.</p>	<p><b>Weaknesses</b></p> <p>Less expenditure on research and development activities.</p> <p>Decision making takes a lot of time</p> <p>High job stress</p>
<p><b>Opportunities</b></p> <p>Corporation among leaders.</p> <p>Voting system.</p>	<p><b>Threats</b></p> <p>Shortage of skilled labour.</p> <p>Globalization pushes the organization to cross national borders which have a negative effect due to lack of cultural intelligence</p>

Figure 2. A SWOT Analysis of the city of Douala

## 5 Conclusion

From the above analyses, one can say without fear of any controversy that, governance is primordial for any economic take off. Note has to be taken that, good governance especially in the field of law enforcement, anti-corruption and property right is considered prerequisite for economic development. As earlier discussed, many scholars believe that good governance is one of the main factors not only for the democratic development but also regarded as a primary factor for economic growth. From the main objective of this work, which is determining effect of governance on economic growth of Cameroon and Finland, Finland has attained economic development mainly due to its internal policies thus good governance meanwhile Cameroon is still to attain economic growth though the country has some positive indicators but there is a problem with governance in Cameroon.

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