

MAKING SENSE OF GOVERNANCE

Sorting out the Basics

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Introduction

Governance has become a key concept in the international development debate over the past ten years. It marks an intriguing transformation in focus from micro to macro issues. It also poses fresh challenges to those interested in relating socio-economic outcomes to macro interventions. After ten years of efforts to make sense of governance in development, many of these basic challenges remain. What do we really mean by ‘governance’? How can we meaningfully measure it? What would a universal scale of measuring the quality of governance look like? How important is governance compared to other factors that may shape development outcomes? The World Governance Survey (WGS) project based at the United Nations University, for which this paper serves as a primary background document, is meant to address these challenges. The purpose of the WGS is to generate cross-country data on perceptions of governance so as to establish a stronger foundation for assessing what role governance really plays in development and what aspects of it may be particularly critical.

From Micro to Macro Interventions

In order to fully understand the importance that governance has acquired in recent years, it is helpful to trace the most significant shifts that have taken place in thinking about development in the past five decades. Much water has certainly flown under the bridge since the concept of development was adapted for use at the international level in the late 1940s and early 1950s. The history is long and has many twists. What is often overlooked, however, is that the shifts that have taken place are the results of an often unsatisfactory, if not negative, experience with the way the development concept has been operationalized. Development itself, in other words, has always been a moving target, thus constantly generating demands for new approaches. It is possible to identify at least four principal phases in the way the international community has tried to make operational a sense of development.

The first of these phases goes all the way back to the days of the Marshall Plan, the first major transfer of public capital to enhance the pace of development. Influenced by the success that this Plan had in generating reconstruction of western Europe, economic analysts began to turn Keynesian ideas into universal recipes. With these efforts, a new field—development economics—was born. In the perspective of these economists, development in the emerging states of what has since become known as the Third World would be best achieved through transfers of capital and technical expertise (Rapley, 1996). This philosophy prevailed in the last days of colonial rule and the early years of independence in Africa. It was also applied to Asia and Latin America with few modifications. Being lodged in a modernization paradigm—implying that development is a move from traditional to modern society—this approach was characterized by great confidence and optimism. Although it was not reconstruction but development that was terms attempted in these instances, the challenge looked easy. Defined largely in technocratic, development was operationalized with little or no attention to context. The principal task was to ensure that institutions and techniques that had proved successful in modernizing the Western world could be replicated.

The intellectual efforts were concentrated in two directions. One approach was to produce comprehensive national development plans as guides for what should be done in more concrete terms. These plans stated the anticipated macro-economic conditions under which specific program and project activities should and could be developed. The other approach, however, was the most critical. In order to get things done, projects took on special significance. They constituted the means by which macro goals could be realized. Good project design was they key to success. It is no exaggeration to suggest that in this first phase of development thinking that lasted into the mid-1960s, the *project* level was regarded as most important. Project design, however, was the prerogative of technical experts. It was done on behalf of potential beneficiaries without their input. Government and other public institutions were identified as responsible for ensuring effective implementation. Private and voluntary sector organizations were ignored. Development, then, was a top-down exercise by public agencies *for the people*.

The second phase began in the latter part of the 1960s, when analysts and practitioners had begun to recognize that a singular focus on projects in the context of national plans was not adequate. The critique followed at least two lines. First of all, projects designed with little attention to context typically had more unanticipated than anticipated outcomes. For instance, the assumption that development would ‘trickle down’ from the well endowed to the poor, thus generating ripple effects, proved to be mistaken. Secondly, projects were inevitably ‘enclave’ types of intervention with little or no positive externalities. For example, evaluations confirmed the absence of meaningful backward or forward linkages in this type of interventions. Analysts concluded that the project approach failed to realize improvements, especially in the conditions of the poorer segments of the population. Convinced, therefore, that something else had to be done to reduce global poverty, the international community decided that a sectoral approach would be more effective. In operational terms, this means substituting project for *program* as the principal concern.

The important thing in this second phase, therefore, became how to design integrated programs that addressed not a single dimension of human needs but the whole range of them. For example, integrated rural development programs became very fashionable instruments of action. As a sequitur, governments also engaged in administrative reforms that stressed the value of decentralizing authority to lower levels of government organization in order to enhance coordination and management of these new sectoral programs. Another thing that happened in this second phase was the growing emphasis on education and training of the masses. Human capital mattered. While capacity-building in the first phase had been concentrated on the elite, the second focused on such things as adult education and universal primary education, the assumption being that these measures were integral parts of a poverty-oriented approach to development. That is why during this phase the main idea can be said to have been development *of the people*.

At the end of the 1970s there was another shift, this time of even greater consequence than the first. It was becoming increasingly clear that governments could typically not administer the heavy development burden that had been placed on their shoulders. This was most apparent in sub-Saharan Africa, where the state lacked the

technical capacity, but it was acknowledged also elsewhere because of bureaucratic shortcomings. Government agencies simply did not work very efficiently in the development field. Placing all ‘development eggs’ in one basket, therefore, was increasingly being questioned as the most useful strategy. So was the role of the state in comparison with the market as an allocative mechanism of public resources. As analysts went back to the drawing board, the challenge was no longer how to manage or administer development as much as it was identifying the incentives that may facilitate it. The strategic focus was shifted to the level of *policy*.

The World Bank, mandated by its governors, took the lead on this issue and with reference to sub-Saharan Africa, the most critical region, produced a major policy document outlining the proposed necessary economic reforms (World Bank, 1981). This report was to serve as the principal guide for structural adjustment in Africa in the 1980s, although the strategy was also applied in other regions of the world. These reforms, in combination with parallel financial stabilization measures imposed by the International Monetary Fund, were deemed necessary to “get the prices right” and to free up resources controlled by the state that could be potentially better used and managed by other institutions in society—particularly the private sector. However, this period also witnessed the increase in voluntary organizations around the world and preliminary efforts to bring such organizations into the development process. With more responsibilities delegated to the market, private and voluntary organizations could play a more significant role in working with people to realize their aspirations, whether individual or communal. Even though the economic reforms tended to create social inequities, the basic premise was that non-governmental organizations could do with the people what the government had failed to do for the people. Again, the perception of development had changed, this time to being an exercise done *with the people*.

The new thing in the 1990s has been the growing recognition that development is not only about projects, programs and policies, but also about *politics*. For a long time, politics and development were seen as two separate and distinct activities. Development analysts, especially economists, wished to treat ‘development’ as an apolitical phenomenon. Out of respect for national sovereignty, donors and governments upheld this dichotomy for a long time. It is only in the last ten years that it has been challenged.

Although it is controversial in government circles in the Third World, there is a growing recognition that ‘getting politics right’ is, if not a precondition, at least a requisite of development. The implication is that conventional notions of state sovereignty are being challenged and undermined by the actions taken by the international community, notably the international finance institutions and the bilateral donors. United Nations agencies also find themselves caught in this process. For example, human rights violations, including those that limit freedom of expression and association, are being invoked as reasons for not only criticizing governments of other countries but also withholding aid if no commitment to cease such violations and improvement is made. Underlying this shift toward creating a politically enabling environment is the assumption that development, after all, is the product of what people decide to do to improve their livelihoods. People constitute the principal force of development. They must be given the right incentives and opportunities not only in the economic but also the political arena. They must have a chance to create institutions that respond to their needs and priorities. Development, therefore, is no longer a benevolent top-down exercise, not even a charitable act by non-governmental organizations, but a bottom-up process. As such, development is now seen primarily in terms of something done *by the people*.

The discussion so far is summarized in the following table:

Table 1. Shifts in Development Thinking and Emphasis from the 1950s to Date.

Period	Focus	Emphasis
1950s-1960s	Project	For the people
1960s-1970s	Program	Of the people
1980s	Policy	With the people
1990s-Date	Politics	By the people

This overview of how development ideas have changed in the last fifty years is admittedly brief and unable to do justice to nuances that many involved in the development business would recognize and wish to emphasize. We believe, however, that

the basic distinctions made above do reflect principal shifts in how we have conceived development and the various measures that go with it. There are a couple of things to note about this process. The first is that each approach or emphasis has lasted only a decade or a little more. The urge to abandon an approach in favor of another has come as a result of evaluations indicating serious shortcomings but also of the general impatience and need for quick results that characterize international development funders. For instance, these agencies, through the United Nations, used to identify development in terms of decades, each with its own emphasis. Global commissions made up of influential persons helped set the new agenda, thus pushing agencies away from what they were already engaged in. The idea of ‘development decades’ has now been essentially abandoned, indicating—perhaps—that the international community recognizes that development is a complex activity and that results come in incremental and often infinitesimal steps.

The second observation is that the global development agenda is still very much the product of the views of dominant states and institutions. While more voices are being raised today, not the least by social movements and non-governmental organizations, theirs are still ‘alternatives’ to mainstream thinking as reflected in the documents issued by the World Bank, and bilateral donors. Apart from the UN conferences of the 1990s, Third World governments and other organizations typically have very little say. This is increasingly controversial in a period when development includes calls for reforms of the political set-up in individual countries. It is no coincidence, therefore, that the international community, and especially the World Bank and the IMF, has taken refuge in the concept of ‘governance’ or ‘institutions’ when referring to things political.

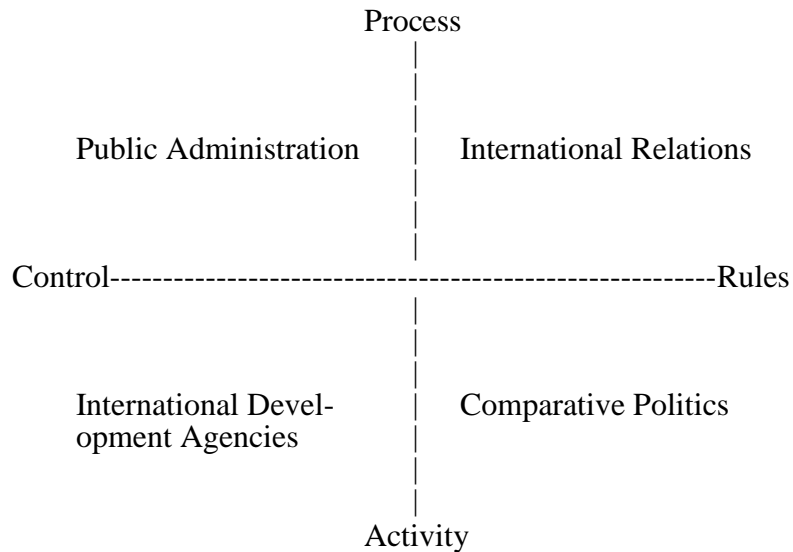
Defining Governance

Despite the recent popularity of governance at both the practical and theoretical levels, the concept continues to mean different things to different people. Academics and practitioners often talk past one another as do scholars in different academic disciplines and fields. A review of the literature, however, suggests that these differences tend to crystallize along two separate lines, one regarding the substantive content of governance, the other regarding its character in practice. Along the first line, there is a difference

between those who view governance as concerned with the rules of conducting public affairs, on the one hand, and those, on the other, who see it as steering or controlling public affairs. One might say that the ‘rules’ approach tends to emphasize the institutional determinants of choice, while the ‘steering’ approach concentrates on how choices get implemented.

Along the second line, the difference is between governance as activity or process. Some analysts treat governance as reflected in human intention and action. It is possible to see the results of governance interventions. Others, however, view governance as an ongoing phenomenon that is hard to pin down, but which bears on how results are achieved. Practitioners tend to adopt the former approach, academics often end up taking the latter position. As Figure 1 tries to indicate, one can identify four major positions on how governance has been defined and used. Students of public administration share with analysts and practitioners in international development agencies the notion that governance is about steering and control, but differ in that the former regard it as a process while the latter see it as an activity. For example, representatives of the donor community wish to see measurable results of governance; hence, their concern with developing results-based indicators. Students of public administration, on the other hand, are quite content with recognizing that managing public affairs—and thus controlling outcomes—is no longer confined to traditional jurisdictions but influenced by processes that transcend such boundaries. International relations scholars share with students of comparative politics the notion that governance is about the ‘rules of the game’ while they have divergent views on its character, the former treating it as process, the latter as activity. For example, students of international relations recognize that creating new rules for global governance is a process involving multiple actors at different levels; hence, the difficulty of overcoming tendencies among national governments to stick with ‘realist’ principles. Comparativists, by contrast, especially those studying democratization, look at governance as a voluntarist act that can make a positive difference.

Figure 1. Different Uses of the Governance Concept



In order to help sort out the basic issues surrounding the uses of the concept, it may be helpful to elaborate a little on each of these four positions. Beginning with public administration, it is interesting to note that governance has emerged as a very popular way of dealing with the fact that conventional jurisdictional boundaries of administration no longer have the same exclusivity as in the past. Substantive issues cut across these boundaries. Formulation and implementation of policy, therefore, often require cooperation among representatives of different organizations. This was first noted by European scholars as they began studying the effects of European integration and the growth of new institutional formulas in the social welfare sector. In one of the first and more comprehensive treatments of governance from a public administration perspective, Kooiman (1993) and his collaborators argue that governance is comprised of purposeful action to guide, steer, and control society. They recognize that this is not achieved with a single measure, but is a process that takes time and involves both governmental and non-governmental organizations. Governance, they argue, is the regularized, institutional patterns that emerge from the interactions of these organizations. Their view of governance reflects the normative change that took place in Europe in the 1980s when economic liberalization reduced the role of the welfare state as the sole agent of policy implementation and paved the way for public-private partnerships. Needs are no longer

confined to society, capacity to government. Needs and capacities are both public and private. They are embedded in both state and society in their mutual interdependencies. Thus, governance transcends the conventional boundaries of public administration. This point is also underscored by other students of European governments like Rhodes (1997) and Pierre and Peters (2000), for whom self-organizing, inter-organizational networks constitute the essential ingredients of the governance process. In the context of a 'disarticulated state', i.e. one with reduced capacity to solve public problems, it is in governance theory that public administration gets to wrestle with problems of representation, political control of bureaucracy, and the democratic legitimacy of institutions and networks.

This view is also shared by a growing number of students of public administration in the United States. Although the impetus for turning to governance has been primarily the issue of the disconnect between the scope of public issues and the jurisdictional boundaries of public agencies, they tend to approach governance in a fashion similar to their European counterparts. Thus, for example, Lynn, Heinrich and Hill (1999) argue that governance links values and interest of citizens, legislative choice, executive and organizational structures and roles, and judicial oversight in a manner that suggests interrelationships among them that might have significant consequences for performance. Governance is a process that brings administrators into new collaborative relations in which the prospect for results is deemed to be better than within conventional organizational settings.

The international relations literature on governance has emerged after the collapse of communism and the bipolar world order. It accepts that interdependence is an increasingly important feature of the new world order and argues that this calls for commonly accepted norms, rules, and patterns of behavior that facilitate international cooperation (Holsti, 1992). Contrary to the realist or neo-realist approach to international politics that stresses the overwhelming importance of perceived national interest, governance is typically associated with a constructivist approach, in which rules as regimes are viewed as key ingredients for stabilizing international relations. Cooperation across both national and issue boundaries requires the initiation of a process involving actors ready to transcend narrow national interest concerns. Governance, therefore, as for

example Rosenau (1992) and Redfern and Desai (1997) argue, is a process involving multiple actors in the international arena that produces new norms and rules for working together to solve global problems or conflicts.

Interest in governance among students of comparative politics has also emerged as a result of the collapse of communism. Their study of ‘the rules of the game’ is associated with the increasing concern around the world to bring about democracy. In this context, governance is studied as part of regime transition. In a first attempt to delineate the concept, Hyden (1992:7) defines governance as the “conscious management of regime structures with a view to enhancing the legitimacy of the public realm.” By focusing on rules as reflected in regime structures and how they are managed, this view of governance emphasizes the normative framework within which public decisions and policies are made. It calls for attention to constitutional and legal issues in ways that conventional political economy studies focusing on how resources are allocated do not take up. Governance is a product of human agency—hence an activity—that helps define the relations and interactions between state and society. March and Olsen (1998:6) adopt a similar perspective when they argue that governance “involves affecting the framework within which citizens and [state] officials act and politics occurs.” Their view of governance as institutional frameworks for the realization of democratic ideals also tallies with the interpretation by public administration scholars in that it recognizes the revision of rules in order to meet the demands of more complex societal systems.

It is appropriate that the discussion of the perspective of international development agencies be a little longer here. While there tends to be agreement about governance as an activity aimed at steering societies in desired directions, these agencies have typically adopted the concept to suit their own programmatic needs. Their ‘entry points’ differ. The United Nations Development Programme, for example, has adopted a definition that sees governance as “the exercise of economic, political, and administrative authority to manage a country’s affairs at all levels.” (UNDP, 1997:2-3). In this perspective, governance comprises the mechanisms, processes, and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations, and mediate their conflicts. Governance is said to have three legs: economic, political, and administrative. Economic governance includes decision-making processes

that affect a country's economic activities and its relationship with other economies. Political governance involves the formulation of policy, while administrative governance is the system of policy implementation. As can be seen from this and similar definitions used by international development agencies, governance is an all-encompassing concept. It permeates all sectors and it makes no distinction between governance, policy-making and policy implementation.

The World Bank has its own interpretation of governance that is of special interest because its official mandate prevents it from dealing with political issues. To cope with this, the Bank makes a distinction between governance as an analytic framework and governance as an operational framework, leading it to identify three aspects of governance: (1) the form of political regime, (2) the process by which authority is exercised in the management of a country's economic and social resources for development, and (3) the capacity of governments to design, formulate, and implement policies and discharge functions (World Bank, 1992). The Bank has professed to confine itself only to the second and third aspects of governance, but it has found itself under increasing pressure from Western bilateral donors to address also the first. Its recent recognition of human rights as an essential aspect of governance seems to be a manifestation of this extended operational use of the concept.

The problem with the definitions used by international development agencies is twofold. By being a 'catch-all' concept it fails to make distinctions that are important for any attempt to assess governance. It resembles very much the notion of 'development management' that was employed in the 1970s to identify what governments in developing countries were doing. More specifically it fails to make a distinction between governance, policy and administration. Governance folds into the latter two without a distinct meaning to it. This means that it is difficult to know whether it is actually the quality of policy-making and implementation rather than something peculiar known as 'governance' that really is supposed to make a difference. For example, it is quite possible that the same kind of governance set-up in two separate countries may produce different outcomes because of variations in policy formulation or implementation capacity. Secondly, by watering down its political character, governance loses its distinction in relation to the economy. Where does 'governance' begin and end as a

variable expected to cause specific outcomes? How can one meaningfully say something about the impact of governance unless it has some specificity? These seem to be the definitional challenges that face any attempt to develop a survey that taps perceptions of governance in a systematic and measurable manner.

For the purpose of this project, a definition of governance is adopted that focuses on the importance of rules rather than results. Governance is treated as both activity and process in the sense that it is viewed as reflective of human intention and agency but is itself a process that sets the parameters for how policy is made and implemented. Analytically speaking, governance becomes a ‘meta’ activity that influences outcomes, such as reducing transaction costs and protecting human rights, depending on the nature of the rules adopted. With this in mind, the following working definition is adopted for this project:

Governance refers to the formation and stewardship of the formal and informal rules that regulate the public realm, the arena in which state as well as economic and societal actors interact to make decisions.

Governance, then, refers to behavioral dispositions rather than technical capacities. It is a quality of the political system that in the current development debate serves as an independent variable, i.e. as an explanatory factor. In this perspective, governance deals with the constitutive side of how a political system operates rather than its distributive or allocative aspects that are more directly a function of policy. In order to clarify the way governance is conceived and how it relates to other concepts that international development agencies tend to fuse it with, the following table broadly sets out the principal differences:

Table 2. Governance and Its Relations to Other Concepts and Activities.

Level	Activity	Concept
Meta	Politics	Governance
Macro	Policy	Policy-Making
Meso	Program	Public Administration
Micro	Project	Management

It is important to emphasize that these different levels are empirically interconnected, but there are good reasons for keeping them analytically apart. Rules are, empirically speaking, set at different levels. For example, a community may decide to change the rules by which its members abide in order to improve the prospects of a better life. Such a revision of rules—the local community regime—has a bearing on how decisions are made and implemented or singular project activities managed. Governance is also present at higher levels, ultimately in terms of establishing and managing constitutional principles at national or international levels.

With this definition of the concept, it is possible to also sustain the distinction between a constitutive and distributive side of politics. What is new in the contemporary international setting is that the distributive side is no longer solely important. The classical political economy question, originally attributed to Harold Lasswell, of “who gets what, when, and how?” that has been underlying previous approaches to development is now being challenged by another important concern: “who sets what rules, when, and how?” It is this constitutive side of politics that needs to be highlighted and emphasized in the name of governance because it is fresh and overlooked if not differentiated from the concerns derived from policy of how resources are allocated. Governance does not influence such outcomes directly, although by changing the rules for how policies are made, it may do so indirectly. The best analogy with which we can explain our approach is that governance is to policy and administration what road is to car. The nature of riding in it depends on the quality of the road on which it travels. In sum, perceptions of the regime within which policies are made and acted upon will vary depending on the effects of formal and informal rules on what can or cannot be done. Its legitimacy may be high or low.

If governance is about rules, the question inevitably arises as to which rules are important for shaping policy processes and, by extension, development outcomes. There is a tendency among analysts and development agencies alike to adopt those that fit most closely into their own programmatic mandate. A governance survey project has to transcend such limits. It has to be able to measure governance on a global scale using indicators that are as applicable as possible across national boundaries. Given the

connection to policy, implementation and development, the choice made here is to focus on the various dimensions of the political process that produce outcomes. The assumption is that how the political process is structured—how state, society and economy interact—is important for development.

In deciding what dimensions are important, an examination of the functions associated with how policy comes about may be especially helpful. It allows us to design this survey in a way that reduces normative biases associated with the way governance has been applied so far. Yet, by virtue of its inclusivity, this functional approach covers what the vast majority of analysts and agencies consider relevant and important. It also makes specific references to the various arenas in which these functions are performed and the purpose of the rules associated with each function. The scheme is summarized in Table 3.

Table 3. The Functional Dimensions of Governance and Their Institutional Arenas.

Functional Dimension	Institutional Arena	Purpose of Rules
Socializing	Civil Society	To shape the way citizens raise and become aware of public issues
Aggregating	Political Society	To shape the way issues are combined into policy by political institutions
Executive	Government	To shape the way policies are made by government institutions
Managerial	Bureaucracy	To shape the way policies are administered and implemented by public servants
Regulatory	Economic Society	To shape the way state and market interact to promote development
Adjudicatory	Judicial System	To shape the setting for resolution of disputes and conflicts

In order to fully appreciate this approach and what it entails, it is necessary to elaborate on its rationale and the substantive content of each dimension.

1. The Socializing Dimension.

This dimension refers to the first phase of the political process: how persons get familiar and interested in public issues and how rules tend to affect the articulation of interests from society. The way rules are constituted in order to channel participation in public affairs is generally considered an important aspect of governance. For example, much of the recent literature on democratization indicates the important role that citizens have played in reshaping the rules so as to enhance their own input into the making of public policy. Putnam's study (1993) of making democracy work in Italy is a case in point. He emphasizes, like Tocqueville before him, the importance of local associations in building trust and confidence both in institutions and among people.

In Latin America as well as Eastern Europe, political reforms have been the result of political socialization in the context of social movements, intensified political communication, and an enhanced articulation of interests that previously were latent for fear of public authority. As Juan Linz and Alfred Stepan (1996) note in their account of the democratic transition and consolidation in these two regions, civil society was rightly considered the "celebrity" of democratic resistance and transition in many countries. However, the opportunity for articulating citizen voices on public issue is still limited in many countries. Also a recent global survey found not having a voice in policy formulation is a source of frustration even in countries where elections are held on a regular basis (Sprogard and James, 2000). On a more positive note, at the micro level, World Bank research (**Julius: insert reference**), shows that water projects with participation are not only better designed and constructed; participation also enhances the likelihood of sustained support required for long-term maintenance of such schemes. Much more evidence could be garnered for support of the position that it matters how civil society is organized. Suffice it to add here that for any survey of how governance relates to development, this dimension is of doubtless significance.

2. The Aggregating Dimension

This dimension refers to the ways a political system is organized in order to facilitate and control the making of public policy. It deals with how ideas and interests are aggregated into specific policy proposals. This arena is often referred to as 'political

society', i.e. the place where public demands get tackled by specific political institutions. Rules for aggregating policy vary. One major distinction in democratic polities is between pluralist and corporatist systems. The former is competitive while the latter is directed. Many authoritarian regimes find the transition at the political society level especially hard since rules at this level tend to dictate who gets to power. Thus, the design of electoral systems tends to influence the party system; the party system the way the legislature operates. Countries in political transition tend to prefer a presidential system rather than a parliamentary one on the assumption—often mistaken—that a strong executive can control political society and provide greater political stability. Much has been written on this subject based on the experience of a broad range of countries, especially those in Latin America (cf. Stepan and Skach, 1996). Many of the governance concerns of the international community in recent years have also centered on this dimension. Designing electoral systems, monitoring elections to assess their fairness, as well as strengthening the technical capacity of parliaments to be effective in making policy and holding public officials accountable are measures that the international community has sponsored in developing and transitional countries. Think-tanks and other institutions that try to assess progress toward democracy give particular attention to the rules affecting performance of political society. Its relevance to the objectives of this project cannot be called into question.

3. The Executive Dimension

Governments do not just make policies. They are also responsible for creating a climate in which people enjoy peace and security. The rules that they set to shape the relation between state and society in the broader security area are of growing importance not only in societies in transition but also in established political systems. One important issue is how the political leadership structures its relations with the military. In many transitional societies, the military has held political power in the past and is unlikely to relinquish it without setting certain conditions. These rules are likely to affect the perception people have of governance. Dealing with violence and poverty in society is another set of issues that transcends the boundaries of individual policy and enters the governance realm. What rules, formal and informal, do government put in place to meet

popular expectations of freedom from fear and want? These are systemic concerns that no other institution but government has ultimate responsibility for. Taking on these ‘big’ issues is not easy and many governments are unwilling to face up to the challenge. How it organizes itself and the rules it puts in place for its own operations are also important aspects of how societies function and, in other words, governance influences popular perceptions of the regime (cf. Campos and Nugent, 1999).

4. The Managerial Dimension

This dimension refers to how the policy implementation machinery is organized. The central arena in this context is the bureaucracy. Public servants working in such type of organizations are engaged in formulating, implementing policy and delivering services. Their public impact, however, comes foremost from their role in carrying out policy. This is the most visible part of their role. How bureaucracy is structured and how it relates to the political leadership have been issues of great significance to academics and practitioners alike ever since the days of Max Weber some hundred years ago. The idea that rules must be legal-rational, i.e. formal and logical, has dominated especially in modern democracies. Many assume that bureaucracy can function efficiently and effectively only in such conditions (cf. Blau, 1963, 1964). Others, however, have also pointed to the problems of combining formal rules and procedures with positive substantive outcomes. Bureaucracy in this type of studies is viewed in negative terms (cf. Crozier, 1965). Comparative studies of how bureaucratic rules affect economic development have emerged in recent years (e.g. Evans and Rauch, 2000). They indicate the importance of viewing the bureaucracy in the context not only of implementation of individual policies but also in governance, since its rules and procedures tend to have an influence on how people perceive the political system at large. As we know, many contacts that citizens have with government are with first-level bureaucrats, responsible for processing requests for services and assistance.

5. The Regulatory Dimension

State-market relations have become of increasing importance for governance in recent years. No less an advocate of the ‘invisible hand’ of the market than Adam Smith

acknowledged that the state is necessary to perform certain economic functions. Most important of these is to deal with ‘market failures’, i.e. situations when the market fails to aggregate private choices in an optimal fashion. State institutions, therefore, are often created and called upon to regulate the economy. This arena is sometimes referred to as ‘economic society’, a term that we borrow here from Linz and Stepan (1996). One assumption that is often made is that when private firms have an opportunity to influence the way rules are formulated and implemented, this regulatory dimension is more effectively managed. It helps making policy better and it also enhances regime legitimacy among key economic actors. The norms and institutions that are put in place to regulate how corporations operate, how property is owned and protected as well as how capital may be transferred and trade conducted are all important aspects of governance. This subject has gained greater prominence in recent years by theorists like Douglass North (1990). The compatibility of market and democracy is also a subject of study by Przeworski (1991) and Dryzek (1996). This regulatory dimension features in significant ways in the strategies of many development agencies, for which economic liberalization is viewed as a precondition for political democracy.

6. The Adjudicatory Dimension.

Each political system develops its own structures for conflict and dispute resolution. How such institutions operate have a great bearing on popular perceptions of regime performance. For example, persons who have been maltreated by public officials or find themselves in conflict with others must have an authoritative instance to call upon for a fair hearing. The importance of this dimension has been recognized by political theorists like John Locke (e.g. 1946, and 1960) and Montesquieu (1970) as well as by anthropologists like Gluckman (1965). The adjudicatory function, however, goes beyond the boundaries of individual cases. It also includes how conflicts between groups in society are handled, even conflicts with other countries. What rules apply to resolving such conflicts? This is an important governance question. The legal culture that develops as a result of how arbitration in this broader sense is carried out is important for how people perceive not only the judiciary but also the political system at large. While the notion of rule of law is important, many societies also have informal mechanisms for

resolving conflicts between government and private actors. Such is the case, for example, in many Asian countries. There is little doubt that the adjudicatory dimension is important for governance, especially in developing and transitional societies where rules are in flux. How they can be stabilized and turned into institutions that enjoy the confidence of citizens is of vital significance.

Measuring Governance

Measuring governance poses challenges that are not encountered in the economic or social development fields. It is possible to provide firm indicators of such things as economic growth, level of unemployment, primary school enrollment, and so forth. It is much more difficult to find and agree upon indicators of a political macro phenomenon like governance. Attempts to do so, e.g. by Kaufmann, Kraay and Zoido-Lobaton (1999), confirm this but also indicate that aggregate measures of such phenomena as rule of law are useful. More and better data are needed to provide a firmer basis for identifying statistically significant differences in governance across countries as well as for country-specific in-depth governance diagnostics. The proposed World Governance Survey is an attempt to generate coherent and systematic data needed.

What constitutes good governance? The tendency in international development circles has been to treat it as a synonym for liberal democracy. In other words, features found in the political systems of Western societies have been elevated by the dominant agencies in the international development community to the level of being universally desirable. There are understandable reasons for such a move. With the collapse of the communist systems—at least the majority of them—liberal democracies can claim that they have proved to be most sustainable. They continue to enjoy an acceptable level of legitimacy and even though they do not work perfectly they combine efficiency with justice in ways that other systems do not. Nonetheless, there are many countries around the world where liberal democratic values are questioned as the basis for better governance. It is also understandable that leaders as well as citizens in these countries view calls for ‘good governance’ as a cover for extending Western influence in the global arena. In short, any attempt to measure governance is fraught with controversy over which norms should prevail.

What can be done in these circumstances? The most suitable approach is to turn to the human rights arena, because this is where at least officially the broadest consensus on what constitutes good governance may be found. Although the issue of human rights also generates discussion, there is broad support for the principles that form the basis for a broad range of international declarations in this arena. More specifically, the Universal Declaration of Human Rights (UDHR)—the secular equivalence of the Ten Commandments or similar statements in other major religions around the world—was signed by 58 Member States of the United Nations in 1948. More recently, 171 countries reaffirmed their commitment to the UDHR at the World Conference on Human Rights in Vienna in 1993. In addition, it should be noted that every country in the world has ratified at least one of the six principal human rights treaties. And over half the countries of the world have ratified all six principal human rights treaties—up from just 10 per cent just a decade ago. A special millennium survey conducted by Gallup International indicates that the protection of human rights is of great concern to ordinary people around the world. The same survey also shows that people believe that governments are not doing enough to address human rights problems (Sprogard and James, 2000). Although defining what exactly constitutes universal values will continue to be a source of controversy in the global arena, there is clearly a growing consensus to move in that direction. There is also a stronger moral force supporting such a move. The most suitable basis for any effort to measure governance, therefore, is the growing consensus about the significance of rights in the development debate.

The difference between a rights-based and needs-based approach to development is summarized in Table 4:

Table 4. Differences Between a Needs and a Rights Approach to Development*

Needs Approach	Rights Approach
Needs are met or satisfied	Rights are realized
Needs do not imply duties or obligations	Rights always imply correlative duties
Needs are not necessarily universal	Human rights are universal
Needs can be met by outcome strategy	Rights can be realized only by paying attention to both outcome and process
Needs can be ranked in a hierarchy of priorities	Rights are indivisible because they are interdependent
Needs can be met through charity and benevolence	Charity is obscene in a rights perspective

A rights-based approach to governance and development has many advantages. First of all, it shifts the focus from government to citizen. Good governance is a public good that citizens should be entitled to. Secondly, by focusing on entitlements, it recognizes that poverty is not just a matter of being economically deprived. It is defined and sustained by a sense on the part of the poor of helplessness, dependence, lack of opportunities, and lack of self-confidence and self-respect. The language of rights makes clear that the poor are not the subject of charity and benevolence by governments or the rich, but that they are entitled to a decent standard of living and that rights are the vehicles for their participation and empowerment. As Amartya Sen (1999) argues development should include a broad range of freedoms or rights such as the basic capabilities to avoid starvation, undernourishment or premature mortality, as well as rights to education and being able to engage in participation in the political process. This argument is also reflected in the discussion in the 2000 Human Development Report (UNDP, 2000) of the relationship between human rights and human development approaches. The third thing about a rights-based approach is that it draws attention to the importance of norms and rules. How a society is governed and how it achieves its development is as important in this perspective as what these processes accomplish. That

* We are grateful to Urban Jonsson and Bjorn Ljungqvist of UNICEF for ideas feeding this table.

is why the proposed World Governance Survey is justifiably focusing on rules, not just results. The quantitative indicators of development—social or economic—should be analyzed in terms of how they were achieved. Regimes, and how they are governed, are important in this context. What scope do they leave for citizens to enjoy their rights? It is how these rules, aggregated into a particular political regime, are perceived that gives us the clues to how good governance is.

Guiding the analysis of the Survey would be a series of basic principles that reflect the emerging consensus at the global level of what should, and could, constitute ‘good governance’:

- Participation: the degree of involvement and ownership of affected stakeholders;
- Fairness: the degree to which rules apply equally to every one in society regardless of status;
- Transparency: the degree to which decisions made by public officials are clear and open to scrutiny by citizens or their representatives;
- Decency: the degree to which the formation and stewardship of rules are undertaken without humiliation or harm of the people;
- Accountability: the degree to which public officials, elected as well as appointed, are responsible for their actions and responsive to public demands;
- Efficiency: the degree to which rules facilitate speedy and timely decision-making.

These principles underlie the design of the Survey. The assumption is that the more governance is undertaken according to the principles outlined above, the better it is. In arriving at the choice of these principles, this Survey draws on already existing approaches to governance by various development agencies but it transcends them by not being tied to specific programmatic concerns. It is meant to provide an independent assessment of governance that may serve as a ‘backdrop’ against which these agencies can compare their own measures.

Governance Indicators

The proposed World Governance Survey is meant to capture subjective perceptions of governance at the national level. It is expected to gather data on the most important meta-level issues relating to governance. Although information on some of these issues is already available through other instruments, this Survey is designed to be comprehensive and provide the basis for cross-country comparisons. Data from these other sources, e.g. Freedom House, Transparency International or the Economist Intelligence Unit, should therefore provide useful points of reference and comparison.

In selecting indicators and creating the basis for a systematic and relevant data analysis, two considerations have been of special importance. The first is the number of indicators to include. This has a bearing on how detailed or disaggregated any measure will be. In striking a balance between being comprehensive and at the same time analytically manageable, the survey consists of thirty indicators. This amounts to five indicators per each governance dimension. These are inevitably aggregate variables, but we believe that they are meaningful and often more significant in understanding governance than more specific measures. The proposed WGS, therefore, is not meant to probe governance issues in-depth within individual countries but provide the basis for an aggregate assessment of governance over time within and between countries. In so doing, we hope it would serve as a spring-board for country-specific governance surveys and debates. The second consideration is whether each dimension is of equal importance. Should they be weighted equally? The WGS is being designed on the premise that each dimension and each indicator does indeed carry the same weight, i.e. each is made up of five indicators using the same rating scale. The alternative of differentiating the governance dimensions in terms of weight would make the analysis more difficult and arbitrary.

The thirty indicators chosen for this Survey are summarized under each dimension below:

1. The Socializing Dimension:

- i) Freedom of Expression. This indicator would capture how rules affect people's opportunities to seek, receive, and impart information in public. This reflects UDHR Article 19.

- ii) Freedom of Peaceful Association. This indicator is meant to reflect the extent to which citizens can form and belong to associations of their choice, reflecting the content of UDHR Article 20.
- iii) Freedom from Discrimination. This indicator is meant to assess the level of tolerance between individuals and groups in society. As such it reflects the concerns raised in UDHR Article 2.
- iv) Opportunity for Consultation. This indicator is meant to indicate the extent to which government engages in consultation with citizens on public issues.
- v) Public Duties. This indicator is meant to capture the extent to which citizens respect the rules that are necessary for the achievement of common and public goods.

2. *The Aggregating Dimension:*

- i. Representativeness of Legislature. This indicator is meant to assess the extent to which the legislature is representative of society at large, thus reflecting concerns in UDHR Article 21.
- ii. Political Competition. This indicator points to the extent to which power can be contested without fear.
- iii. Aggregation of Public Preferences. This indicator tries to capture how effectively and fairly public preferences are aggregated into public policy.
- iv. Role of Legislative Function. This indicator is meant to assess the influence that the legislature has on the making of public policy.
- v. Accountability of Elected Officials. This indicator recognizes the importance of the extent to which elected officials are accountable to their constituents.

3. *The Executive Dimension:*

- i. Ensuring Freedom from Fear. This indicator is meant to probe the extent to which governments promote rules that reduce the threat to personal security. This reflects concerns in UDHR Articles 3-5 and Conventions Against Torture.
- ii. Ensuring Freedom from Want. This indicator aims at highlighting of how far social and economic rights are being promoted, reflecting UDHR, especially

Articles 23-25 and the International Covenant on Economic, Social and Cultural Rights.

- iii. Willingness to Make Tough Decisions. This indicator is expected to assess how far rules enable governments to make decisions with the long-term interest of the country in mind as opposed to being led by populist and short-term demands.
- iv. Political-Military Relations. This indicator will assess how far military is subject to civilian control and largely confined to its professional roles.
- v. Attitude to Peace. This indicator is meant to measure how seriously government takes the rules of conduct within its borders.

4. *The Managerial Dimension:*

- i. Scope for Policy Advice. This indicator tries to measure the extent to which advice by senior civil servants with specialist competence has a bearing on how policy is made.
- ii. Meritocracy. This indicator probes how far merit enters into the recruitment and tenure of civil servants.
- iii. Accountability of Appointed Officials. This indicator probes the extent to which mechanisms such as audit, courts or ombudsman are operational in holding public servants accountable.
- iv. Transparency. This indicator tries to assess the extent to which citizens have access to public documents and can know about rules and procedures that guide public decisions.
- v. Equal Access to Public Service. This indicator is expected to demonstrate how effectively the state is organized to cope with the principle of equal access to public service, a concern highlighted in UDHR Article 21.

5. *The Regulatory Dimension:*

- i. Security of Property. This indicator probes the extent to which property rights, whether private, common, or public, are respected by governments and individual public servants, a concern contained in UDHR Article 17.

- ii. Equal Treatment. This indicator tries to measure the extent to which economic regulations are seen as applying equally to all economic actors, regardless of size.
- iii. Obstacles to Business. This indicator is meant to show the transactions involved in getting a business license and start up a business.
- iv. Consultation with Private Sector. This indicator probes the degree to which private sector actors are consulted and involved in shaping economic policy.
- v. International Economic Considerations. This indicator refers to the degree to which governments include consideration of international opportunities and risks in making economic policy.

6. *The Adjudicatory Dimension:*

- i. Equal Access to Justice. This indicator probes the extent to which society has in place mechanisms for ensuring equal access to justice. This reflects a concern in UDHR Article 7.
- ii. Due Process. This indicator is expected to show the extent to which proper procedures are followed in every aspect of legal cases.
- iii. Accountability of Judges. This indicator aims at highlighting the extent to which society has in place mechanisms such as appeal, judicial review and special inquiries that serve as make judges accountable.
- iv. Incorporation of International Human Rights Norms. This indicator probes the extent to which international jurisprudence is being incorporated into national laws.
- v. Predisposition to Conflict Resolution. This indicator is aimed at showing how society is structured to preempt and contain conflicts between groups of citizens.

Governance Data and Analysis

There are various ways of collecting data for a project like this. Some institutions constitute international panels of well-informed persons and let these relatively small groups (7-9 persons) assess each country. While such panels may provide a comparative perspective on individual countries, members are not really engaged in the process of

evaluation. After, examining this approach, we decided early on that it was more appropriate to collect data within each country.

Within countries, there are also a number of different ways of collecting data. One is a public opinion survey drawing on a representative cross-section of the population. A second is to constitute a panel to independently assess the state of governance in specific countries. A third would be to collect information via focus groups representing different strata of society.

The public opinion approach would be most desirable, but it is also the most costly. It is not clear that the full cost would match the quality of data that could be collected through such a survey on a global scale. Striking a balance between cost and quality, the approach used in the WGS will be a cross-section of the elite—thirty-five persons—representing different segments of well-informed persons such as parliamentarians, academics, government officials, private sector managers, lawyers, and opinion-makers. Each person would individually provide answers to the survey questions. This work would be supervised by a country coordinator whose responsibility also would include working out average scores for each question, dimension, and the whole survey. The coordinators would also comment on the way data was collected, including references to any shortcomings in the methodology.

The preliminary analysis of country data, therefore, would be done by each country coordinator. It may be useful to consider the extent to which regional panels of specially well informed persons could serve as a check on the data collected at country level. This will be explored in the pilot phase. The final analysis would be carried out at UNU headquarters.

The broad analytical framework that will guide the analysis is summarized in Figure 2.

Figure 2. Analytical Framework for the World Governance Survey.

(Julius: can you draw this figure so that it shows the relationships more clearly)

<u>Determinants</u>	<u>Governance Realm</u>	<u>Development</u>
Historical Context	1. Socializing Dimension	Political Rights
International Context	2. Aggregating Dimension	Protective Security
Economic Forces	3. Executive Dimension	Economic Entitlements
Social Factors	4. Managerial Dimension	Social Opportunities
Cultural Factors	5. Regulatory Dimension	Trust and Transparency
	6. Adjudicatory Dimension	

As indicated above, governance is treated as both an independent and dependent variable. It is analyzed as a result of factors that are expected to shape the mode and style of governance. The determinants to the left in Figure 2 are the generic factors that are likely to influence the quality of governance.

Governance, however, is also treated as an independent variable influencing various aspects of development as indicated in the right column of the figure. The analysis would build on existing work that tries to link institutional features to development such as Knack and Keefer (1995) and LaPorta et al (1999). The WGS is expected to provide additional valuable information that can be meaningfully correlated with the objective development indicators contained in the World Development Report and the Human Development Report. If governance is as important as is assumed in international development circles, one would expect that wherever governance scores are high, rules enjoy legitimacy and should translate into outputs that indicate the effectiveness of the political process in serving economy and society. The analysis would also examine which aspect or dimension of governance may show the highest level of correlation with development outputs. In short, is it possible to identify which aspect of governance that may be most critical for enhancing development, social or economic?

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