



Citizen-centric governance: Empirical framework

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Abstract: Governance indicators are now widely used as tools for conducting development dialogue, allocating external assistance and influencing foreign direct investment. This paper argues that available governance indicators are not suitable for these purposes as they do not conceptualize governance and fail to capture how citizens perceive the governance environment and outcomes in their countries. This paper attempts to fill this void by conceptualizing governance and implementing a uniform and consistent framework for measuring governance quality across countries and over time based upon citizens’ evaluations.

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Introduction: Since the publication of pioneering work on measuring governance quality by Huther and Shah (1998), there has been a proliferation of composite worldwide governance indicators purporting to measure various aspects of governance quality. The growth of these indicators have been spurred by generous support by the development assistance community especially multilateral development finance agencies and infinite appetite of media and the academic community for governance assessments and country rankings. Governance indicators are now being used as tools for conducting development dialogue, allocating external assistance and influencing foreign direct investment. Each new indicator series are now released with great fanfare from major industrial country capitals and the popular press uses these indicators to name and shame individual countries for any adverse change in rank order over time or across countries. The development assistance community is increasingly using these indicators in making critical judgments on development assistance. The World Bank’s International Development Association (IDA) allocation - a window of subsidized lending to the developing world and the United States Agency for International Development’s Millennium Challenge Account uses various governance indicators as criteria for allocating external assistance. At the same time, some of the recent findings of these indicators have also led to much controversy and acrimony and thereby contributing to complicating the dialogue on development effectiveness.¹ In view of the influential nature of these indicators and potential to do



harm if judgments embodied in these indicators are biased and erroneous, it is imperative that they capture critical dimensions of the quality of governance and all countries are evaluated using uniform and reasonably objective assessment criteria.

Do the existing indicators meet this test? While the literature on this subject is woefully inadequate and thin, four widely used indicators namely the World Bank's Worldwide Governance Indicators (WGIs), Overseas Development Institute's World Governance Assessments (WGAs), Mo Ibrahim Foundation's Indexes of African Governance (IIAGs) and the United Nations Economic Commission for Africa's African Governance Report Indicators (AGRIs) - all lack a conceptual framework on governance, lack of citizen-based evaluations and time and country assessment inconsistencies to make their rankings suspect. A number of recent papers have been especially critical of WGIs for lacking "concept" (implying lack of clarity in conceptualization) and "construct" (implying lack of clarity in measurement) validity, sample bias (mostly interest group views), lack of transparency and time inconsistency of definitions and measurements (see Arndt, 2008, Arndt and Oman, 2006, Kurtz and Schrank, 2007, Iqbal and Shah, 2008, Langbein and Knack, 2008, Schrank and Kurtz, 2008, Thomas, 2006). One of the most important limitation common to all available composite indexes of governance is that they fail to capture how citizens perceive the governance environment and outcomes in their own countries.

Conceptualizing and measuring governance quality in a comparative context: Governance is a fuzzy yet fashionable buzzword and its use in the literature has exploded in recent years. Dixit (2008) notes that there were only 4 citations in EconLit in the period 1970-1979 compared to 15455 in the most recent period of 2000-2007 and currently Google lists more than 152000 pages of this literature. According to American Heritage, Random House and Merriam Webster dictionaries, governance is equated with government and is defined as the "exercise of authority and control" or "a method or system of government and management" or "the act, process or power of governing". Huther and Shah (1998) defined governance as "a multi-faceted concept encompassing all aspects of the exercise of authority through formal and informal institutions in the management of the resource endowment of a state. The quality of governance is thus determined by the impact of this exercise of power on the quality of life enjoyed by its citizens". The World Bank Governance and Anti-corruption (GAC) Strategy (World Bank, 2007) defines it as "the manner in which public officials and institutions acquire and exercise the authority to shape public policy and provide goods and services"



For our current purpose, none of the above definitions with the sole exception by Huther and Shah, is helpful in serving as an operational guide to carry out a comparative review of quality of governance across countries or even of one country over time. This is because of their singular focus on the processes/institutions which do not lend themselves to easy or fair comparability across countries and sometimes not even within one country without conducting deeper analytical studies. There can be little disagreement that same processes and institutions can lead to divergent governance outcomes just as dissimilar processes could yield similar outcomes in two different countries. For example, anti-corruption agencies in countries with fair governance helps curtail corruption but in countries with poor governance prove either to be ineffective or worse a tool for corrupt practices and victimization.

As another example, budget secrecy prior to its presentation to the parliament is just as important under parliamentary form of government as in Canada, UK, India, New Zealand, as open and participatory budget determination process is to presidential form of government as in the USA. There can be little disagreement that both types of processes have the potential to advance public interest but may succeed or fail in different country circumstances. During the past two decades, we have also seen that single party dominant political systems in China, Malaysia and Singapore have shown dramatic results in improving governance outcomes whereas pluralistic party systems have also shown positive results in other countries such as Brazil and India. Similarly monarchy has shown positive results in UK but unwelcome results in Nepal. Even similar electoral processes do not always lead to representative democracy and may instead yield aristocracy (elite capture) in some countries and corrupt oligarchies in others. In fact, Aristotle’s main argument for elections was based upon the premise that these would produce aristocracy, a form of government he considered superior to median voter rule (see Azfar, 2008). Andrews argues that such ”good governance picture of effective government ... constitutes a threat, promoting isomorphism, institutional dualism and ”flailing states” and imposing an inappropriate model of government that ”kicks away the ladder” today’s effective government climbed to reach their current state.”

Such indicators are more usefully used to compare governance outcomes and complementary analytical studies of institutions and process can be used to explain varying outcomes. Of course, governance outcomes also assume commonly shared values but it is relatively less problematic than one-size fit-all prescriptions on processes. To have meaningful governance comparisons across countries and over time, one needs to have concepts which are somewhat invariant to time and place



and are focused on citizens' evaluations rather than interest groups' views. To this end, we define governance as an exercise of authority and control to preserve and protect public interest and enhance the quality of life enjoyed by citizens. Note that this definition encompasses both the governance environment (quality of institutions and processes) as well as governance outcomes.

Towards a simple framework for assessing country governance quality: Considering a neo-institutional perspective, various orders of government (agents) are created to serve, preserve, protect and promote public interest based upon the values and expectations of the citizens of a state (principals). Underlying assumption is that there is a widely shared notion of the public interest. In return, governments are given coercive powers to carry out their mandates. A stylized view of this public interest can be characterized by four dimensions of governance outcomes.

- **Responsive Governance:** The fundamental task of governing is to promote and pursue collective interest while respecting formal (rule of law) and informal norms. This is done by government creating an enabling environment to do the right things - that is it promotes and delivers services consistent with citizen preferences. Further, the government carries out only the tasks that it is authorized to do that is it follows the compact authorized by citizens at large.
- **Fair (equitable) Governance:** For peace, order and good government, the government mediates conflicting interests, is focused on consensus building and inclusiveness and ensures a sense of participation by all and protection of the poor, minorities and disadvantaged members of the society
- **Responsible Governance:** The government does it right i.e. governmental authority is carried out following due process with integrity (absence of corruption), with fiscal prudence, with concern for providing the best value for money and with a view to earning trust of the people.
- **Accountable Governance:** Citizens can hold the government to account for all its actions. This requires that the government lets sunshine in on its operations and works to strengthen voice and exit options for principals. It also means that government truly respects the role of countervailing formal and informal institutions of accountability in governance.

Responsive governance:

- public services consistent with citizen preferences;
- direct possibly interactive democracy;



- safety of life, liberty and property;
- peace, order, rule of law;
- freedom of choice and expression;
- improvements in economic and social outcomes;
- improvements in quantity, quality and access of public services;
- Improvements in quality of life.

Fair governance:

- fulfillment of citizens' values and expectations in relation to participation, social justice, and due process;
- access of the poor, minorities and disadvantaged groups to basic public services;
- non-discriminatory laws and enforcement;
- egalitarian income distribution;
- Equal opportunity for all.

Responsible governance:

- open, transparent and prudent economic, fiscal and financial management;
- working better and costing less;
- ensuring integrity of its operations;
- earning trust;
- managing risks;
- competitive service delivery;
- Focus on results.

The above simple framework captures most aspects of governance outcomes especially those relevant for development policy dialogue and can serve as a useful starting point for a consensus framework to be developed. In any event, there can be little disagreement that one cannot embark on measuring governance quality without first defining and defending an appropriate framework that measures governance - a point also emphasized by Thomas (2006) and the European Commission (see Nardo et al., 2005). Once a consensus framework is developed then one needs to focus on only a few key indicators that represent citizens' evaluations and could be measurable with some degree of confidence in most countries of the world and could be defended for their transparency and reasonable degree of comparability and objectivity (see Andrews and Shah, 2005 for details and



relevant indicators of an approach that emphasizes citizen-centric governance and Shah and Shah, 2006 for citizen-centered local governance and relevant indicators.) . Having an enormous number of indicators which could not be scrutinized, is nothing but a distinct disadvantage for a measure that aims for wider acceptance and confidence.

Implementation of the above framework requires a worldwide survey with uniform questionnaire honing on the four dimensions of governance identified above across countries. Given that such a survey is not available and costly to commission, in the following section, we take a pragmatic approach based upon available survey data to develop rough indexes of governance quality.

Citizen-centric governance: Empirical framework: Public interest is characterized by four dimensions of governance outcomes - responsive governance, fair governance, responsible governance, and accountable governance. Each of these categories is split further on sub-categories in order to characterize a concrete governance outcome (such as improvements in quality of life, safety, peace, etc.) Public opinion survey, with the questions assigned to each subcategory, should be used for the assessment of governance.

The procedure of the assessment consists of the two main steps. First, data source - the raw data from inter-country public opinion survey - is chosen. The responses on questions in the survey, which characterize governance outcomes, are recorded. Second, the responses are aggregated in order to achieve governance index for each country from the sample.

Aggregation: The underlying assumption of our empirical investigation is that the quality of governance in a given country directly affects governance outcome, which is being analyzed in a certain survey question. Thus, the answers of survey respondents - citizens of this country - are better for each question the higher is the quality of governance in the country.

Citizen-centric governance: Preliminary rankings: Based on the estimation procedure described above we report our results in this section. First, we analyze citizen-centric indicators (CGIs) as well as responses on separate questions in all countries in 3 waves of World Values Surveys and Gallup World Poll. Then we compare the indexes by groups of countries, through time (across 3 waves), and with other governance indicators (in particular, Worldwide Governance Indicators). In the last subsection, we give examples of sub-national CGIs in several countries.

Conclusion: This paper has provided a conceptual framework for measuring governance quality using citizens' evaluations consistently across countries and over time. It further provided empirical illustration - using the data from World Values Survey Association - of the usefulness of the



methodology by developing governance quality rankings for 120 countries. These rankings significantly differ from those provided by available indicators that mostly capture foreigners' (mostly interest groups) or arm-chair experts' opinions.

The surveys of WVS project are certainly subject to important limitations. They are not conducted in the same year for all countries, and the questionnaires may slightly differ from country to country, which may produce significant departures from objective estimation. It is also possible that in spite of the claims to the contrary by the survey organization, the survey may not be based on stratified random sampling for some countries due to practical difficulties.

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