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Good governance, working definitions and components

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Abstract: Almost all major development institutions today say that promoting good governance is an important part of their agendas. Despite this consensus, 'good governance' is an extremely elusive objective: it means different things to different organizations and to different actors within these organizations. This study provides a review of donor approaches and discusses good governance as a concept. While methodological discussions are often esoteric, the study argues that this one has real world relevance to development policy because donor agencies regularly measure and assess the quality of governance, condition assistance on these measurements, seek to design evidence-based policies, and justify their focus on good governance partly on the basis of claims that better governance promotes economic development. The weakness of the good governance concept calls into question each of these projects. Future work would do well to disaggregate the concept of good governance and refocus attention and analysis on its various disaggregated components, as defined here (e.g., democracy, the rule of law, efficient public **management).**

Keywords: democracy, development policy, foreign aid, good governance.

Introduction: In 1989, the World Bank declared that 'a crisis of governance' underlay 'the litany of Africa's development problems' (World Bank 1989: 60-61). Since then, as Nanda (2006: 269) notes, '"good governance" … has assumed the status of mantra for donor agencies as well as donor countries'. The 2005 Paris Declaration's commitment to 'national ownership' has further focused the attention of donor agencies on good governance. As Hyden (2008: 267) notes, for instance, 'by channelling direct budget support to partner governments the DPs [development partners] are forced to think about governance as an integral part of their modus operandi'. Proponents of the good governance agenda see it as a worthy goal not only in and of itself, but also as a means through which to impact a variety of other outcomes, particularly economic growth and development. In poorly governed countries, it is argued, corrupt bureaucrats and politicians baldly hinder development efforts by stealing aid contributions or misdirecting them into unproductive activities. Less obvious but equally pernicious, governments that are not accountable to their citizens and with inefficient bureaucracies and weak institutions are unwilling or unable to formulate and implement pro-growth and pro-poor policies. In a well-cited quote, former United Nations Secretary-General Kofi Annan noted that, 'good governance is perhaps the single most important factor in eradicating poverty and promoting development' (UN 1998). Thus, proponents argue, good governance should be at the center of development policy: donors should not only provide positive support for governance reforms in aid-recipient countries, but also should incentivize better governance by taking into account the quality of governance in decisions about the distribution of foreign assistance. A large related literature focuses on measures and assessments of governance quality in particular countries and cross-nationally (see, e.g. Besançon 2003; Arndt and Oman 2006; Knack 2006; Apaza 2009; Thomas 2010), while another significant body of work addresses the relationship between governance and key outcomes such as economic growth (see World Bank 1989; Kaufmann et al. 1999; Resnick and Birner 2006; Keefer 2009; Holmberg et al. 2009). Opponents of the good governance agenda, on the other hand, raise strong challenges. Critics, especially in aid-recipient countries, argue that the use of governance criteria in the allocation of foreign aid effectively introduces political conditionalities and imposes Western liberal models of democracy (see Nanda 2006; NEPAD 2007: 3-4). Grindle (2004) points out that the good governance agenda is a poor

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guide for policy because it is ad hoc, 'unrealistically long', and not attuned to issues of sequencing and historical development (see also Booth 2011). Along related lines, Andrews (2008: 380) notes that prevailing models of government effectiveness are 'like telling developing countries that the way to develop is to become developed' and that the 'one-way-best model' of governance ignores institutional variation across well-governed states (see Pritchett and Woolcock 2004). An active body of research also raises questions about the causal effect of the quality of governance on various outcomes, especially economic growth (see, e.g. Kurtz and Schrank 2007a, 2007b; Khan 2009).

Yet, despite the importance of the good governance debate to international development policy, there remains considerable confusion over a basic question: what is governance, and especially good governance? Indeed, few discussions of governance fail to note this definitional ambiguity (see, e.g. Weiss 2000; Doornbos 2001; Andrews 2008; Keefer 2009; Williams 2009; Grindle 2010). Most studies simply proceed by selecting one definition among the many: in one of the more straightforward discussions of this, Keefer (2009: 439) notes that 'there is no agreed definition of "governance"' and thus that 'for various, sometimes necessarily arbitrary reasons', his review focuses on the literature that links economic development with secure property rights, voice and accountability, and the performance of the bureaucracy.

The second part of the study builds on the first to make two related arguments. First, good governance as defined by donors is a poorly specified concept. This may sound like a purely academic critique, but is in fact directly relevant to development policy. The importance of concepts for measurement and theory-building is a core point in work on social science research methods (see Sartori 1984; Gerring 2001; Goertz 2005; Collier and Gerring 2009; Shively 2010). In policy terms, the fact that good governance is such a poorly specified concept affects, for one, the ability of development agencies to defensibly measure and assess the quality of governance, one of the bases upon which aid may be conditioned. It affects also their ability to design and justify evidencebased policy, i.e., policy built upon precise and empirically-tested hypotheses about how political and economic institutions change, and about how this in turn affects economic development.

Second, this study argues that, given the weaknesses of this concept, future research and analysis by development analysts should focus more on the seven disaggregated components of good governance identified here, rather than on the ad hoc macro concept (see also Keefer 2009). The term 'good governance' has become a catchy shorthand way to describe a variety of institutions and is thus likely to remain in common public usage, but it is not a useful concept for development analysts. Disaggregation of the concept will allow for more precision in the formulation and testing of hypotheses, building on large related literatures from political science in particular.

Governance: In common usage, governance—as distinct from good governance—is often equated with 'government' or 'the act or process of governing'.1 International organizations and scholars have adopted more extensive definitions of the term. As Keefer (2009: 439) notes, 'there is no agreed definition of governance that would provide a convenient device for organizing the literature'. Weiss (2000), for one, lists seven different definitions from as many organizations.2 The OECD (2009), as discussed further below, compiles another seventeen definitions. According to the definitions listed in these sources, for instance, the UNDP (1997: 2-3) defines governance as 'the exercise of economic, political and administrative authority to manage a country's affairs at all levels', which 'comprises mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences'. For the IMF, it is 'the process by which public institutions conduct public affairs and manage public resources' (UNDP 2007: 128). For the OECD, it is

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'the use of political authority and exercise of control in a society in relation to the management of its resources for social and economic development,' which 'encompasses the role of public authorities in establishing the environment in which economic operators function and in determining the distribution of benefits as well as the nature of the relationship between the ruler and the ruled'.

Despite differences in language, most of these definitions include three common elements that point toward a minimal understanding of governance as (1) the process (or manner) through which (2) power (or authority) is exercised (3) to manage the collective affairs of a community (or a country, society, or nation). With a few exceptions, all of these elements are arguably clear even in the most succinct formulations.3 In the World Bank (2010) definition, for instance, governance is 'rule' (i.e., the act or manner of exercising authority), carried out by 'rulers' (i.e., those with power/authority), within 'a given set of rules'

This minimal definition of governance suggests description, leaving open multiple possibilities of how, and towards what ends, power might be exercised within the community. For instance, it might be according to popular vote, by consensus, according to a set of universally applied laws, through the dictates of a supreme leader, or through physical force. Key actors might include government agencies, elected officials, hereditary rulers, religious leaders, judicial authorities, or the voting public. The collective affairs of a community might include anything from national security to natural resources, from monetary policy to cultural affairs, from infrastructure development to educational standards.

Many definitions of governance also implicitly or explicitly include additional elements, in particular some conception of (4) the core objectives met by effective governance; (5) the principles, values, or norms that should be upheld in the process of governing; and (6) the specific institutions that well-governed countries should have. Definitions from OECD (1995) and World Bank (1994), for instance, both highlight development as a core objective: a country's affairs and resources are managed, according to the OECD, 'for social and economic development'. UNDP (1997) is suggestive of a sort of pluralist democracy, with channels for the representation of individual (citizen) and group interests. The World Bank's WGI highlights six broad principles or standards that wellgoverned countries should meet and touches on specific institutions such as a free media.

Good governance: working definitions and components: What then is good governance? Working definitions of good governance and the quality of governance more generally, are notable in their diversity. Table 1 gives examples from the major multilateral agencies, including the UN, the multilateral development banks, the European Commission, the IMF, and the OECD. These definitions are drawn either from each organization's current policy on (good) governance (e.g., the IMF's Good Governance: The IMF's Role, published in 1997) or its most recent major public statement on the topic (e.g., the entry entitled 'Governance' on the UN's website). With the exceptions of the European Bank for Reconstruction and Development (EBRD) and the Inter-American Development Bank (IADB), all of these organizations use the term good governance widely and discuss its promotion among their main objectives. Both the EBRD and the IADB highlight a number of issues associated with good governance (democracy, the rule of law, human rights, institutional development), but neither frames its work in these terms. As the definitions presented in Table 1 suggest, there are clear similarities across working definitions, but there are also major differences.

- **Accountability:** government is able and willing to show the extent to which its actions and decisions are consistent with clearly-defined and agreed-upon objectives.

- **Transparency:** government actions, decisions and decision-making processes are open to an appropriate level of scrutiny by others parts of government, civil society and, in some instances, outside institutions and governments.
- **Efficiency and effectiveness:** government strives to produce quality public outputs, including services delivered to citizens, at the best cost, and ensures that outputs meet the original intentions of policymakers.
- **Responsiveness**: government has the capacity and flexibility to respond rapidly to societal changes, takes into account the expectations of civil society in identifying the general public interest, and is willing to critically re-examine the role of government.
- **Forward vision:** government is able to anticipate future problems and issues based on current data and trends and develop policies that take into account future costs and anticipated changes (e.g. demographic, economic, environmental, etc.).

UN projects specify and work to support key democratic political institutions as part of these efforts. The UN's Human Development Report 2002: Deepening Democracy in a Fragmented World summarizes these institutions as follows: **Rule of law:** government enforces equally transparent laws, regulations and codes'.

- A system of representation, with well-functioning political parties and interest associations.
- An electoral system that guarantees free and fair elections as well as universal suffrage.
- A system of checks and balances based on the separation of powers, with independent judicial and legislative branches.
- A vibrant civil society, able to monitor government and private business—and provide alternative forms of political participation.
- A free, independent media.
- Effective civilian control over the military and other security forces.

The UN also explicitly underscores the relevance of democratic principles in the design and management of its own governance projects and programmes: the Global Programme on Democratic Governance Assessments, supported by UNDP's Oslo Governance Centre, for instance, highlights its focus on 'nationally owned', rather than external, governance assessment, and provides financial and technical support to sixteen projects (Governance Assessment Portal, n.d.) Such assessments are seen as an accountability mechanism for local stakeholders, and also intended to be 'participatory', 'transparent', and 'legitimate' by including a broad and representative range of national actors, providing these actors with full information on the process, and making the results of assessments open to the public.

Good governance as a concept: Given the stated importance of good governance and the amount of work that has been done on the topic, the looseness of the working definitions described above is notable. For instance, the World Bank's 2007 report, Strengthening the World Bank Group Engagement on Governance and Anticorruption, which outlines its strategy on governance, provides no explicit definition beyond a brief quote from former Bank president Paul Wolfowitz. Likewise, the African Development Bank's Governance Strategic Directions and Action Plan GAP 2008-2012 defines good governance in a short footnote, while the European Commission's 'European Governance: A White Paper' provides a similar treatment.

Definitional brevity is not in itself problematic, but it is so in this case because of the clearly contested nature of 'good governance' and the complexity of its components. None of the donor organizations discussed above fully address, for instance, why one particular component of governance rather than another is included in its own definition. Why does the ADB define good governance as accountability,

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participation, predictability, and transparency, while the European Commission defines it as openness, participation, accountability, effectiveness, and coherence, and the OECD accountability, transparency, efficiency and effectiveness, responsiveness, forward vision, and rule of law? Further, how exactly are these various terms defined? Should human rights be understood to refer to both civil and political rights and economic, social, and cultural rights as specified in the International Bill of Human Rights, or primarily to civil and political rights, as emphasized in most discussions? Does 'accountability' mean the same thing to the ADB as to the EC, OECD, World Bank, AfDB, and UN? Does 'rule of law' refer to 'thin' or 'thick' variants? Is a country considered a democracy if it meets minimal Schumpeterian standards, or is democracy understood in its broader sense? If the latter, what are the major differences between 'liberal democracy' and 'good governance'?

In short, on the basis of working definitions, there is easily disagreement among donors in terms of which countries should be classified as well-governed and which as poorly governed. And, there is no clear basis upon which to argue the merits of one classification versus another or to evaluate the relative importance of various governance components. Rwanda suggests some of the dilemmas involved: on the one hand, many observers note Rwanda's progress in economic and management reforms since the genocide in 1994. Drawing on the WGI, Kaufmann, et al. (2009), for instance, highlights major improvements in governance in Rwanda between 1998 and 2008, focusing on measures for government effectiveness and the rule of law. On the other hand, many other observers focus on the problematic nature of Rwanda's recent record with respect to democracy and respect for civil and political rights (see McDoom 2011; Human Rights Watch 2011). Along those lines, Human Rights Watch, for instance, sharply criticized UK Department for International Development (DFID)'s policy in Rwanda, where it was the largest bilateral donor, noting that despite DFID's stated commitment to 'good governance':

Good governance and development: It is difficult to ignore the fact that many countries near the bottom of rankings such as the UNDP's human development index—the DRC, Burundi, Chad, the Central African Republic—are places with much weaker state institutions than those near the top of such lists—Norway, Australia, the US, Germany, Sweden (see UNDP 2011). Kaufmann and Kraay (2002: 169-72) show that there is also quantitative evidence that a positive correlation exists between measures of the quality of governance broadly defined and various measures of economic development, such as per capita income.10 This correlational finding is debated—Khan (2009: 8, 2004, 2008), for instance, finds no significant differences in the scores on good governance of high-growth and low-growth developing countries—and thus requires further study. But, it appears to be robust enough that it is worth considering some of the causal processes that might be behind it.

One of the major critiques of this argument and modernization theory more generally was Huntington's classic 1968 book, Political Order in Changing Societies, which argued that development certainly leads to profound social changes, but that these changes are often associated with instability and violence, rather than the emergence of stable, democratic systems. Stable democratic systems are most likely to emerge, Huntington argued, only when the development of political institutions that can channel and respond to increasing demands for political participation is compatible with the rate of social mobilization. In other words, path 'E' operates only under specific conditions. In a more recent line of critique, Przeworski et al. (2000) offer another spin on path 'E': that it is not that development leads to democratic transition, but that countries at higher levels of development are less likely to experience democratic reversals once they adopt democratic institutions for other reasons.

Conclusion: Almost all major development institutions today say that promoting good governance is an important part of their agendas. Yet, as this review suggests, this is an extremely elusive objective: good governance means different things not only to different organizations, but also to different actors within these organizations. Working uses of the term 'good governance' by donor institutions tend to highlight seven key areas: democracy and representation, human rights, the rule of law, efficient and effective public management, transparency and accountability, developmentalist objectives, and a variety of particular economic and political institutions. In other words, they reflect a variety of generally 'good' things that do not necessarily all go together in any meaningful way. Thus, while donors purport to support governance reforms as a means of promoting development and purport to condition aid on the quality of governance, their fuzzy thinking on the concept of good governance affects their ability to do both.

As the literature summarized above suggests, with some key exceptions, development practitioners and economists have dominated the contemporary debate over good governance, which is unsurprising given the origins of the agenda in the work of donor agencies (see also Andrews 2008: 397). As we examine the components of good governance highlighted in these discussions, however, the obvious and extensive overlaps between many of the issues studied by good governance practitioners and political scientists figure in sharp relief. As Putnam (1993: 63) notes, '"Who governs?" and "How well?" are the two most basic questions of political science'. Indeed, there are long traditions of research on almost all of the core components of good governance identified in this study and related topics: democracy, representation, human rights, the rule of law, bureaucratic development, public management, accountability, the developmental state, comparative political systems, and comparative financial systems, as well as state-building, civil conflict, the nation state, participatory democracy, constitutional engineering, electoral institutions, decentralization, modernization, and so on,

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