Governance criteria and political choices

The good, the bad and the governance

Everyone is in favour of good governance. But what exactly does it mean? Should it be promoted in order to enhance democracy? Or to create markets? Should we look only at formal institutions or also at civil society? Beyond the technical definitions lies a much more complex political debate, involving notions that are usually not considered by politicians and policy makers.

By **Tobias Schmitz**

The quest for 'good' governance is a key theme of most multilateral and bilateral donor policies. Debates among donors tend to focus on which aspects of governance should be promoted, or on whether good governance precedes or follows from economic development. Underlying these policy debates is a discussion on development itself, and whether it is wise for donors to pin their hopes on governance as a key variable in the 'management' of development outcomes.

The criteria that are used as indicators of good governance vary enormously, indicating that aid agencies are not neutral. By choosing particular sets of governance criteria, these agencies are in fact making make political choices. However, this political nature of donor interventions in recipient countries is not always directly apparent.

A key marker in the debate on good governance was the publication in 1998 of a report entitled *Assessing Aid: What Works, What Doesn't, and Why,* by David Dollar and Paul Collier of the World Bank. Despite heavy criticism at the time, the report's central argument has since gained wide acceptance. In essence, the report argued that aid is most effective in an environment in which 'good' governance is practised, while development assistance to countries with 'bad' governance only helps to maintain the underlying causes of poverty and deprivation. The message for development policy makers was that a reallocation of aid to (very poor) countries with good governance would achieve just as much as a tripling of aid budgets to the countries already receiving aid. Shortly after the release of the Dollar–Collier report, the UK's Department for International Development (DFID) commissioned its economic policy and research department to verify the results of the investigation. Their conclusion was that the gains of reallocating aid to countries with 'good governance' were indeed potentially highly significant.

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The market

Over the last decade, led by the World Bank, many donors have begun to include good governance as a criterion for the provision of aid. World Bank expenditure on good governance has skyrocketed, such that by 2006 almost half of its new lending operations included projects for strengthening governance, the rule of law, and the much-lambasted area of 'public sector reform'. The Bank has also incorporated good governance measures into its country assistance strategies, it provides support to institutions such as parliaments and the media that strengthen accountability, and has begun to develop measures for and to collect data on governance issues. The European Union, too, has placed good governance at the centre of development policy since 2000, when the European Commission announced that 'while poverty reduction is the main objective of EC cooperation, it will only be sustained where there are functioning democracies and accountable government'.

The approach has its critics, however. Julie Aubut of the London School of Economics, for example, has commented that there is a tendency for the World Bank's assessments of good governance to be based on a limited range of indicators so that 'good policies are seen to be those favouring the well functioning of markets'. An important set of good governance indicators known as the Country Policy and Institutional Assessments

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(CPIAs) are produced by Daniel Kaufmann at the World Bank Institute. Each year, the Bank publishes country rankings based on the CPIA good governance index. The CPIA index groups 20 indicators on which the Bank collects information. These are divided into four clusters. Three of these four clusters are 'economic': rather than measuring governance in the sense of a state's relationships with civil society, the indicators are defined in such a way as to measure a country's pro-market orientation. While more 'political' indicators of the quality of governance – such as the effectiveness of the administration or adherence to the rule of law – are certainly present in the overall measurement tool, they are essentially buried in a host of economic indicators. Thus although the Bank may claim that it is measuring governance, it is in fact making the statement that at least three-quarters of 'getting governance right' amounts to creating favourable conditions for the private sector.

Political criteria

But not all governance indicators are based on economic reductionism. A wide variety of different indicators of good governance have become popular in the last ten years, which emphasize economic, political or 'security' aspects of good governance. There is, therefore, no single definition of what good governance is or should entail. According to Goran Hyden and colleagues, the problem is that governance is much more a rhetorical notion than one that can be used to measure differences in governance. The reason for this, they say, is that the concept itself has been pioneered and dominated by development agencies with a particular mandate that determines how the concept is translated into practice.

The non-governmental organization Freedom House, for example, constructs its own governance measure by gathering data primarily geared to the analysis of political rights and civil liberties. Its indicators include such elements as the fairness of the electoral process, the degree of political pluralism, the responsiveness of government to civil society, freedom of expression, adherence to the rule of law, and freedom from state surveillance. This measure is relatively free of economic indicators, but is nevertheless claimed to be an indicator of governance. Another example is the governance measure produced by the NGO Transparency International, which has focused almost all its efforts on measuring only those indicators that relate to corruption practices. Established in 1993, Transparency International has been highly influential in mainstreaming anticorruption initiatives within the programmes of the International Monetary Fund (IMF) and the World Bank.

The EU, for its part, also has a measure of good governance, which contains elements of economic, political and environmental governance. Since 2000, the EU has acted to refocus public attention on 'lost' issues in the governance debate, such as human rights and support for parliamentary democracy. It therefore tends to emphasize political aspects of governance, although economic aspects such as the promotion of economic growth are also included in its intervention packages.

In addition to these different interpretations of good governance, donors have tended to muddle the debate even >

further through their lack of clarity about why good governance is being measured in the first place. With regard to the debate in the Netherlands, Paul Hoebink of the Radboud University Nijmegen points to the interchangeable uses of good governance – as a means to increase the effectiveness of aid and improve the functioning of democracies, and as a criterion for the selection of countries to receive assistance. While a good deal of attention is paid to the effectiveness of aid, this stems from the donors' concerns that their funds are being put to good use. Good governance, then, is promoted not so much as an end in itself but as a means to ensure that funds are not misappropriated, and that they reach those for whom they are intended. Nevertheless, Hoebink believes that while a good deal of attention is paid to governance issues, the debate tends to skip over the 'missing link' with poverty reduction which is, after all, the *raison d'être* of development cooperation.

Even if good governance is indeed mainstreamed within the policy framework of development cooperation, it is a long way from policy formulation to implementation. Rerouting the administrative juggernaut of a government administration is not accomplished simply with the release of a new policy document. In their study of Dutch development cooperation, Wil Hout and Dirk-Jan Koch come to the surprising conclusion that while good governance has been central to Dutch development policy since 1998, it has played only a limited role in the selection of countries to receive Dutch aid. It was apparently not possible to select a large enough group of countries that met the criteria.

On the rise

Given the difficulties involved in finding a common definition of good governance, the lack of clarity surrounding its usefulness, and the complications in implementing governance-related aid policies, one would perhaps expect its hegemonic status within development policy to be on the wane. However, the reverse is true: governance is in fact becoming more important than ever. In a 2006 evaluation of the EU's support to good governance, the European Centre for Development Policy Management (ECDPM) concluded that the field of good governance is continuing to expand. In the process, it is becoming intertwined with other key elements of the development agenda such as conflict prevention, security and AIDS prevention. At the same time, in a move away from a rather narrow technocratic base encompassing issues such as financial management and corruption, the EU has now adopted a more holistic perspective, and an expanded agenda that includes political issues such as human rights and democratization.

Civil society organizations are working together to strengthen support for governance interventions that strengthen *legitimacy* rather than *effectiveness*. To many civil society organizations, the World Bank cannot take a leadership position on good governance because it is itself not directly accountable to the United Nations, and because its own assessments of what constitutes 'good' governance are not transparent. For more than ten years, for instance, the Bank refused to divulge information on how it calculated country scores for the CPIA index.

Civil society organizations have not been alone in their criticism of the Bank's approach to governance. In September 2006, EU Commissioner Louis Michel criticized the Bank for placing too much emphasis on corruption. Also, urged on by a coalition of British and Irish NGOs, the UK government threatened to withhold £50 million (€75 million) of its contribution to the Bank if it did not back down on its stance on conditionality: the demands that the Bank lays down for developing countries in order to qualify for loans . In response, in March 2007, former Bank President Paul Wolfowitz announced that the Bank's strategy on good governance and anticorruption had been 'updated'. In effect, the Bank agreed not to cut off support to countries experiencing governance problems, and is now more willing to engage with civil society organizations. In so doing, it is succumbing to broad pressure from the EU and global civil society organizations to interpret good governance in a more *political* way.

There is a strong shift among donors to focus on the explicitly political aspects of good governance as a means to achieve poverty reduction. Complementing this attention there is a body of theory that argues that strengthening *civil society* is the most effective way to reduce poverty. Based on the work of economist T.H. Marshall, author of 'Citizenship and social class' (1963), the argument is that the process of modernization involves three phases of political change that lead to greater equity. These phases are individual freedom (freedom of speech and legal contract), political freedom (the right to vote and parliamentary reform) and social welfare (the right to education, health care, pensions and other forms of welfare). The equality before the law that comes with membership of a political community provides opportunities for socially weaker classes to make claims against the state for access to resources, thus gradually reducing poverty. Under the right conditions, therefore, strengthening civil society in a context of political equality can contribute substantially to poverty alleviation.

These kinds of definitions of good governance – further elaborated by Nobel Prize winner Amartya Sen, for example – are increasingly gaining acceptance within the development community. With the pressure on donors to show progress towards achieving the Millennium Development Goals, it is likely that their attention to the political and civil society aspects of good governance will increase rather than decrease. ■

The author wishes to thank Wil Hout (Institute of Social Studies, The Hague) and Paul Hoebink (Radboud University Nijmegen) for their critical comments on earlier versions of this article.

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