What is good governance: main aspects and characteristics

Roman Mogilevsky

Center for Social and Economic Research

CASE-Kyrgyzstan

Presentation at the Roundtable VIII of the Fostering Global Responsibility Project, Chisinau, Moldova, 10 June 2010
Contents

➢ Notion and definitions of governance
➢ Importance of good governance for development
➢ Key areas of governance
➢ Measuring governance
➢ Practical implications
Development and governance

- Early thinking—resource scarcity is a cause of poverty and under-development; so, more resources are needed
- Next step—right policies
- Next step—right (formal) institutions
- Next step—rules, which govern formation and functioning of society-specific institutions
- Governance is a key
Definitions of governance

- Many definitions exist
- “Traditions and institutions by which authority in a country is exercised” (World Bank)
- “The process of decision-making and the process by which decisions are implemented” (UNESCAP)
- “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” (ODI)
- International, national, local, corporate governance
The role of governance on national and local level

- Key factors of development—education, health, security etc.—are public goods to be provided by central and local governments.
- The *share* of GDP managed by government is positively correlated with the level of country’s development.
- Performance of government is a central component of governance and a pre-requisite for successful development of a country.
Good governance

- Some types of governance produce better outcomes than others
- Understanding of good governance inspired by Universal Declaration of Human Rights
- **Principles** of good governance
Dimensions of governance (WGI)

Voice and Accountability

Political Stability and Absence of Violence

Government Effectiveness

Regulatory Quality

Rule of Law

Control of Corruption
Arenas of governance (WGA)

- Civil society
- Political society
- Government
- Bureaucracy
- Economic society
- Judiciary
Measuring governance

- Many frameworks exist
- All contain expert judgment as a key element
- International and local experts
- Two examples:

  World Governance Indicators (WGI)
  
  World Governance Assessment (WGA)
World Governance Indicators

- Developed by the World Bank
- Period from 1996 to 2008
- 212 countries and territories
- Six aggregate indicators measuring various dimensions of governance
- Range from -2.5 to 2.5; the higher the better
- Based on hundreds of specific and disaggregated individual variables
World Governance Indicators (2)

- 35 data sources provided by 33 different organizations

- Some data sources:
  - Afrobarometer
  - Business Environment and Enterprise Performance Survey
  - Bertelsmann Transformation Index
  - Heritage Foundation Index of Economic Freedom
  - Freedom House
  - WEF Global Competitiveness Survey
  - EBRD Transition Report
  - Open Budget Index
  - Etc.

- Allow for cross-country comparisons and for measuring progress over time
World Governance Assessment

- Initiated by the UN University (Tokyo) and continued by ODI/DHF
- Two rounds – 2000-2001 (23 countries) and 2006 (10 countries, of which 6 countries for the second time)
- Survey of 70-80 Well-Informed Persons (WIPs) in every participating country
- WIPs represent ten categories: Academics, Business, Civil Servants, Government Ministers, International Organizations, Judicial, Media, NGOs, Parliamentarians, and Religious
World Governance Assessment (2)

- **36 indicators/questions**
- Each question relates to the situation now and five years ago
- Response scale from 1 (very low quality) to 5 (very high quality)
- Comments of WIPs and country coordinators
- Comparable with other governance measuring techniques
- **Allow for cross-country comparisons and for measuring progress over time**
Use of governance assessments

- Analytical work, formation of policy agenda and advocacy
- Allocation of aid resources by international financial institutions – governance indices as a proxy for absorption capacity
  - Rural Sector Performance Assessments by the International Fund for Agricultural Development
Governance agenda in relations between donors and recipient countries

- Governance-related issues are perhaps the most sensitive part of donors’ conditionality.
- Donor-government conflicts around governance are many and sometimes end with non-disbursement of originally planned amounts.
- In many cases, governments opt for imitation of governance reforms rather than introducing real, often politically-painful, reforms.
Donors’ approaches to governance reforms are not without drawbacks:
- too much emphasis on imports of institutions
- insufficient understanding of informal rules and vested interests in recipient countries
- too much attention to reform outputs (e.g., establishing an institution), too little attention to outcomes/impact (what it is actually doing)
- no built-in M&E mechanisms
Governance agenda in relations between donors and recipient countries (3)

- In some cases donors are more interested in disbursements than in promoting good governance
- Principal-agent problem: principals (societies in both donor and recipient countries) are interested in governance reforms, agents (recipient governments and donor agencies) may have a different incentive structure
- The role for NDGOs both from donor and recipient countries – to fix the incentive structure for the agents
Conclusions

- Good governance is a key for development
- Governance is measurable, and different measures could be used for solving different problems
- Governance agenda is very important in donor-recipient relationships
- Non-governmental players have a crucial role in keeping governance issues really high on the development agenda
Thank you!
Median size of government expenses

<table>
<thead>
<tr>
<th>% GDP</th>
<th>Top ten HDI</th>
<th>HDI ranks 41-50 (EU NMS)</th>
<th>HDI ranks 111-120 (some FSU)</th>
<th>Bottom ten HDI</th>
</tr>
</thead>
</table>

Sources: HDR 2009, Worldwide Development Indicators
GOOD GOVERNANCE

Consensus oriented
Participatory
Follows the rule of law
Effective and Efficient
Accountable
Transparent
Responsive
Equitable and inclusive
**Voice and Accountability**

The extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.
**Political Stability and Absence of Violence**

Likelihood that the government will be destabilized or overthrown by unconstitutional or violent means
**Government Effectiveness**

Quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.
Regulatory Quality

Ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development
**Rule of Law**

The extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.
**Control of Corruption**

The extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.
<table>
<thead>
<tr>
<th>Principle/Arena</th>
<th>Participation</th>
<th>Fairness</th>
<th>Decency</th>
<th>Accountability</th>
<th>Transparency</th>
<th>Efficiency</th>
</tr>
</thead>
</table>
WGA overall mean scores 2001 and 2006 by country

Argentina
Bulgaria
Indonesia
Kyrgyzstan
Mongolia
Namibia
Palestine
Peru
Trinidad and Tobago
Uganda

2001
2006