Governance and the External Factor
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GOVERNANCE AND THE EXTERNAL FACTOR
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1. Origins and Growth of the Debate on Governance

Inspired in part by the remarkable success of the Marshall Plan, development economists in the 1950s and 1960s seemed self-confident in their ability to bring about sustained improvement in the welfare of poor nations.\(^2\) For many, progress was seen as almost inevitable. This somewhat naive optimism has given place progressively to a sense of failure and self-doubt. The development process is now viewed as a much more uncertain process, and there is a growing recognition that the relatively neglected issues of governance lie at the heart of the problem.\(^3\) There is a renewed attempt being made to link political science, institutional economics, and neo-classical economics within a more coherent theory of development management.\(^4\)

While by no means a new topic in the literature on economic development,\(^5\) the growing focus on issues of governance during the 1980s has been given new impetus by the collapse of the totalitarian states in Eastern Europe, by China’s pro-democracy movement and by the popular call for multiparty democracy now widespread in Africa and Latin America. Public debate has centered on five underlying themes. First, the perceived success of market economies is contrasted with the increasingly obvious failure of centralized planning. Second, the abuses of authoritarian regimes have spurred countries to search for more democratic and responsive forms of government. Third, the inefficiencies of

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\(^1\) The authors are, respectively, Senior Policy Adviser, Africa Technical Department, and Director, Africa Technical Department. This paper draws upon earlier work by the authors, notably Serageldin (1990 and 1991), World Development Report (1983) and The World Bank's Long-Term Perspective Report on Africa (1989). The authors are especially grateful to Dunstan Wai for his comments and advice.

\(^2\) For example as expressed in the U.S. Government’s support for the Alliance for Progress.

\(^3\) See North (1990).

\(^4\) Egegertsson (1990).

\(^5\) E.g., the "soft" state/"hard" state debate in Myrdal (1968).
state enterprises and public agencies have led to a re-examination of the role of the state. Fourth, there is a growing concern that widespread corruption is siphoning away both domestic and foreign aid resources. And fifth, a resurgence of problems of ethnicity have greatly complicated the task of nation building and can no longer be suppressed.

With a rapidly evolving international situation, increased attention is being given to issues of human rights, democracy and governance in the context of a new world order. Donors' growing awareness that better governance is crucial to instituting effective development programs has sparked a debate on making aid conditional on improvements in governance.

The objective of this paper is to examine the possible role of external agencies in promoting good governance. To achieve this objective, it is first necessary to clarify what we mean by the term "good governance", recognizing that the concept is a highly complex one and is surrounded by intense controversy. The paper also attempts to clarify the basis for external agencies to intervene in such a politically sensitive area as governance. The paper is intended as a contribution to the debate on the possible efficacies and modalities of different external interventions; there is no a priori presumption that such interventions are either desirable or effective.

2. The Meaning of Governance

"Governance" is not a word that has been used extensively in the past by political scientists, but its recent appearance in popular usage has not been very rigorous. It has become in many ways both an all-embracing and a vague concept.

According to the Oxford Dictionary, governance means "the act or manner of governing, of exercising control or authority over the actions of subjects; a system of regulations." In essence, therefore, governance may be taken as denoting how people are ruled, and how the affairs of a state are administered and regulated. It refers to a nation's system of politics and how this functions in relation to public administration and law. Thus, the concept of "governance" goes beyond that of "government" to include a political dimension.
The World Bank's 1989 report on *Sub-Saharan Africa: From Crisis to Sustainable Growth*, which forcefully raised the issue of governance in the context of Sub-Saharan Africa, defined governance as the "exercise of political power to manage a nation's affairs." And while there is no presupposition about the particular political form of government, the term does connote a judgement on the quality of government.

It is this broad interpretation of governance which will be used in this paper. It may be summarized as: the use of political authority and exercise of control over a society and the management of its resources for social and economic development. This broad definition encompasses the nature of functioning of a state's institutional and structural arrangements, decision-making processes, policy formulation, implementation capacity, information flows, effectiveness of leadership, and the nature of the relationship between rulers and the ruled.

This definition recognizes that a state's public authorities play an indispensable and potentially creative developmental role in establishing the environment in which economic operators function and in determining the distribution of assets and benefits. Conversely, it also implies the possibility that the apparatus of government may be "captured" by a self-seeking elite which may plunder a nation's wealth for its own narrow benefit and, in so doing, obstruct development. From time immemorial, societies have struggled to establish governmental systems that promoted the public interest only too often to find that in practice the ruling elite diverted public resources to its private benefit and retained power by violent and arbitrary means.

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6 World Bank (1989).

7 This definition was first proposed by Dunstan M. Wai. For a recent discussion, see Wai (1991 forthcoming.)

8 See, for example, S. Huntington (1968), G. Hyden (1983) and P. Chabal (1986).
There are, in most societies, social and ethnic divisions which must be reconciled if the conditions for good governance are to be established. These divisions, and the tensions they generate, may make compromise inevitable and consequently not all the conditions for good governance can be achieved even by a competent and well intentioned government. But too often these problems are deliberately exaggerated to mask the rapacious and exploitative actions of the ruling elite and their supporters. However, sheer lack of capacity also limits the ability of public authorities to fulfill their responsibilities even when they are fully committed to doing so.

Above and beyond these concerns, there is the more profound issue of the precise relationship between the different components of governance and development, and beyond that the question of what is meant by the term "development." Thus, while it can be plausibly argued that freedom of expression, institutional pluralism, transparency, accountability, participatory approaches, and the like (all seen as key ingredients in the process of democracy) are important aspects of "good governance", the evidence is far from overwhelming that multiparty democracy, which is being urged on developing countries by some western donors, is necessary for achieving social and economic development. The cases of Korea, Taiwan, and Singapore stand out in the 1960s and 1970s and more recently the performance of Chile stands out in the 1980s, not only in terms of economic growth, but also in respect of social indicators and poverty reduction. Spending on education and health out-performed other countries and beyond the aggregate spending levels, the poor benefitted to an increasing degree at the expense of the rich.

There are, of course, numerous examples of dictatorships ruining economies, but these are matched by examples of inept or corrupt democratic regimes. Examples can be found, too, of relatively successful, clean and well-run democracies (e.g., Malaysia, Botswana and Mauritius). Objectively, the best that can be said is that the evidence is mixed. Totally benevolent dictators are rare now, as they were in

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Hobbes' time, but on the other hand democracies have an unfortunate tendency to produce crude populism that is equally iminical to good governance and sustainable development.

Economic and social progress are not the only objectives being sought. Freedom from fear, from arbitrary arrest, the ability to practice free speech, free association, as well as to run for and obtain political office, can all be viewed as elements of living a fuller and more meaningful life.\textsuperscript{12} It is, therefore, arguable that actions in these areas can and should be subsumed under a broadened heading of development well-being.\textsuperscript{13} Indeed, although the performance of Chile's military regime in the 1980s was not only an economic success but also successful in improving social indicators, at the first open elections (1989) the regime was voted out of office because of its repressive character and its systematic transgressions against human rights. The people have therefore unambiguously indicated their "utility function" and their perception of well-being.

While in general terms the notions of participation, freedom, transparency, and accountability as key ingredients for good governance, country situations are never identical. Moreover, it must be recognized that significant improvements in some areas may not be accompanied by improvements in others, and that the "acceptable" level of deviance from an ideal still remains a subjective matter.\textsuperscript{14} Conceptually, it is almost impossible to reduce the complex institutional, social, cultural,\textsuperscript{15} political, economic, legal, and other realities of the web of interactions that makes up a modern society and polity to a single measurement of good governance or even to a number of such indicators. The interpretability of whatever indicator is selected poses problems, too, except if measured linearly against itself, (i.e., whether the country is improving or deteriorating) and only by that particular yardstick.

\textsuperscript{12} These issues, much debated by Greek and Chinese philosophers, have again come to the fore in the work of distinguished researchers, see for example Sen (1989) and Sen (1990).


\textsuperscript{15} The Cultural Dimensions of Development are receiving increasing attention. See inter alia L Serageldin (1990) and D. Etounga (1991).
Individual country circumstances are such that judgmental approaches are inescapable. Is a government actively repressing its citizens by the use of force or is it defending itself against insidious destabilization efforts launched from the outside? In practically every instance, there is a little of both, and judgments as to the legitimacy of the government, the representativeness that it enjoys, the adequacy of its policies, and the appropriateness of its actions, are all inescapable.

Further complicating the conceptual domain, is the notion that one can frequently run into situations where governments perform well in respect of one set of indicators and perform poorly in others (Chile in the 1980s, for example), and since there is limited ability, at least at present, in bringing together the various elements of this complex social, cultural, political, legal and economic reality, moving from this confused conceptual situation to an operational one is fraught with difficulty. The UNDP's current work on Human Development\textsuperscript{16} represent some important first steps in resolving these issues.

\textbf{3. The Characteristics of Good Governance}

Given the conceptual complexity noted above, the only viable practical approach is to try to identify and foster those aspects of governance that seem least controversial. Thus, while there are many different views as to what constitutes good governance, some of which are ethnocentric or culturally determined, the central thesis of this paper is that we can specify a minimal core of characteristics which, if not universally accepted, are nonetheless widely agreed upon. In large measure, these derive from, or are related to, the Universal Declaration of Human Rights,\textsuperscript{17} which has been signed and thus accepted, at least nominally, by the vast majority of countries as representing the moral consensus of the international community of nations. This core includes the following:

- The political rulers and government officials are both held accountable to the ruled for their actions through clearly formulated and transparent processes, and more particularly that the

\textsuperscript{16} UNDP (1991).

\textsuperscript{17} The Universal Declaration of Human Rights was adopted and proclaimed by the UN General Assembly resolution 217 (III) of 10 December 1948.
The legitimacy of a government is regularly established through some well defined open process of public choice such as elections, referendum, etc. (Article 21);

- The safety and security of citizens is assured (Articles 3 & 5) and the rule of law prevails, such that contracts can be fairly enforced both among private operators (individuals or enterprises) and between a private operator and the state. Moreover, citizens should be legally protected from arbitrary or capricious actions by public authorities (Articles 7, 8, 9, 10, 11 & 28);

- Public agencies are responsive to the need of the public and social and economic development is promoted for the benefit of all citizens in an equitable manner (Articles 22, 23, 24 & 25);

- The ready availability of information that will permit accountability to be practiced, laws to be correctly applied, markets to function, and people to be creative and innovative (Article 19);

- Freedom of association and expression of opinions (Articles 19 & 20).

These general principles were subsequently articulated in a series of documents\(^{18}\), the most important of these being the International Covenants on Economic, Social and Cultural Rights, and on Civil and Political Rights.\(^{19}\) Their relevance to international institutions as well as governments has been the subject of scholarly study.\(^{20}\)


\(^{20}\) The importance of these documents and their reference to the work of such institutions as the World Bank has been the subject of an important study by the Bank's Vice-President and Legal Counsel, see I. Shihata "The World Bank and Human Rights: An Analysis of the Legal Issues and the Record of Achievements." This essay is based on a paper presented by the author to the International Third World Legal Studies Association Panel on the World Bank, Development Projects and Human Rights, at Miami, Florida on January 8, 1988, which was published with some editorial changes in *Denv. J. Int'l L. & Pol*, Vol. 17, No. 1 (1988). Data in this version have been updated to January 1991.
It is important to note that there are two distinct but intimately intertwined dimensions of governance: one is political (and relates to the degree of genuine commitment to the achievement of good governance) and the other is technical (and relates to issues of efficiency and public management). Both must be addressed. Without political commitment little can be achieved, even with an efficient public administration. But without an efficient public administration a ruler however benevolent, or a government however legitimate, would be ineffective. Thus, above and beyond the factors listed above, it is self-evident that the performance of governments in promoting development broadly interpreted depends also on: the economic role assigned to the state and the nature of a government’s functions, the competency of public agencies which deliver public services, and the extent to which there is an enabling environment that facilitates and encourages the activities of private operators and the civic-minded behavior of public officials.\textsuperscript{21}

The trend towards the disengagement of the state in productive activities, while re-emphasizing the state’s crucial responsibilities for the provision of public social and infrastructural services and in creating an enabling environment, is having a major impact on issues of governance. Distinct, though related, is the parallel trend towards decentralization and the empowerment of local communities who are expected to assume greater responsibilities for public service delivery.\textsuperscript{22} Features that facilitate accountability can be built into these processes, as will be seen below.

But empowerment and greater accountability will not assure better governance unless public agencies are made more competent. This brings to the fore issues of technical management and, related to that, skill acquisition. It also highlights the need for institution building in the broadest sense.

Competent and accountable government dedicated to liberal market economic policies will not alone ensure development unless public agencies invest adequately in infrastructure and human

\textsuperscript{21} T. Killick (1990).

\textsuperscript{22} R. Bates (1988).
resource development. When this is done, most elements are present to create a truly enabling environment where private operators can flourish.\(^{23}\)

This then is the challenge of good governance. But, before we can explore the operational aspects of the role of external agencies in fostering the characteristics of good governance noted above, there is a fundamental issue not yet discussed which must be tackled — namely, the issue of sovereignty. This question is addressed in the next section.

4. Sovereignty, Interdependence and the International Community

Since the present international order is based on the concept of the sovereignty of states, it might well be argued that the quality of governance of a country is not a legitimate concern of any outside body. This proposition merits careful examination, particularly because in the community of nations the issue of governance is mostly raised by developed countries in relation to developing countries. And yet in their interaction, concerns about accountability and bureaucratic failure relate not only to the developing countries, but also to the external agencies involved.

The concept of sovereign\(^{24}\) nations underlies all aspects of the international order. It implies reciprocal non-interference in internal affairs and respect for the territorial integrity of states and of the internationally recognized frontiers. Furthermore, the corollary of sovereignty is the recognition of governments who exercise this "supreme power over a body politic" and are presumed to be able to exercise their "controlling influence" over the affairs of the societies within the territorial boundaries of the "sovereign state" in "freedom from external control," in a word, to enjoy "autonomy".

There exists a network of diplomatic and other relations between such governments, providing formal channels for contacts and dialogue for almost all aspects of intercourse between nations. Indeed, all undertakings that commit societies, economically, militarily, politically and even on issues such

\(^{23}\) World Bank (1989).

\(^{24}\) Sovereignty is defined as: (a) supreme power especially over a body politic; (b) freedom from external control (autonomy); and (c) controlling influence or one that is sovereign, esp. an autonomous state. See Webster's New Collegiate Dictionary. Merriam, Springfield, Massachusetts, 1975, p. 1112.
as cultural exchanges and human rights, are entered into by national governments, not by some undefined society at large.

While idealists may posit a more perfect world based on a stronger international order, we must accept as our starting point the reality of a world made up of sovereign states. One must therefore approach any proposition involving breaching sovereignty with a great deal of caution.

The principal justification for building a world order on the basis of sovereign states is found to be in the recognition of the differences between human societies, and the inalienable right of each society to organize itself in the manner that suits it best, the formalistic expression of which is "a peoples' rights to self-determination" and to be free from another people's imposition upon them of an order to which they do not subscribe. This, of course, was the basis of decolonization, independence and accession of many states to full membership in the community of nations. It also raises issues about the rights of minorities to secede from existing states and a host of thorny issues associated with the relationships between sovereign states and minorities within the boundaries of other sovereign states, which are clearly beyond the scope of this paper.

More pertinent is the fact that sovereignty is subjected to some internationally recognized constraints such as respect for human rights. Such constraints are enshrined in international conventions\(^{25}\) to which governments have committed their sovereign states. There are also questions about the legitimacy or representativeness of existing governments, which lead to issues of de-facto and de-jure recognition of governments, usually as a result of conflictual changes of authority within a sovereign state. There is one notable case where the legitimacy of a firmly established government within a sovereign state was impugned by the UN General Assembly due to its systemic (not just systematic) violation of human rights, and that is the Republic of South Africa.

It is noteworthy, however, that while rejecting the representativeness or legitimacy of the present South-African government, these debates have not questioned the South Africa's sovereignty per se.

\(^{25}\) The most important of these are the Universal Declaration of Human Rights, and the Vienna Convention on Human Rights.
and have sought to remedy the situation by using diplomatic and economic sanctions. These were debated and adopted within the existing international framework; that is, within and by the community of sovereign states. Indeed one can see in this the legitimization of collective action both for dealing with individual situations and to set in motion a process for conflict resolution. More broadly, states are bound together in an international community by a web of international, multilateral and bilateral agreements that create mutual binding obligations within an established system of international law. We live in an increasingly interdependent world, where the actions of each state must take into account the effect of those actions on others.

Developing countries are particularly vulnerable to events in the rest of the world. Consequently, they have come to depend heavily on the international community for financial and technical assistance for their development. Donor governments and their publics are increasingly aware that the impact of their assistance is greatly affected by the quality of governance in the recipient country. Consequently they are concerned to foster good governance and have clearly announced their intention to become more proactive in this regard -- though in a positive rather than a punitive way.26

In this context, the role of the International Institutions is crucial in the sense that they can be viewed as expressing the will of the international community and therefore carry more authority than individual bilateral agencies. But at the same time, and for this very reason, their mandates in this area are strictly circumscribed. Against the backdrop of an international order founded on sovereignty, International Institutions have to respect their existing statutes27 (unless and until they are legally amended) and define their role on the basis of several key issues. First, is the role of International Institutions to provide support to those governments whose policies and programs correspond to what they feel they can support in the context of their mandate -- or do the International Institutions have a responsibility to take on an activist role in getting governments to adopt such policies and programs?

26 See record of December 3-4, 1990 DAC Meeting, French President Mitterand's speech at La Baule on June 20, 1990, and UK's Minister Hurd's June 6, 1990 ODI speech.

27 For a discussion of this topic, see Shibata (1990).
Second, if the International Institutions are to adopt an activist posture in pursuit of an agenda relating to governance, then what is the content of this agenda? And how does such an agenda relate to the statutes governing the International Institutions. Third, who determines the agenda? Looking at the World Bank’s case, for example, is the agenda determined by the Member states? By consensus or simple majority? Would that “politicize” the agenda and poison the working atmosphere at the Bank? Clearly, the role of the International Institutions is a function of the sovereignty of the member states and the mandate that these same sovereign states are willing to give the International Institutions.

Beyond the question of who sets the agenda, and who gives the International Institutions the mandate to pursue it, there is the question of how it is pursued. The modus operandi of the International Institutions is also intertwined with the sovereignty of their member states, since ultimate authority (at least in the International Financial Institutions) rests with the representatives of governments. The staff can only make proposals, the relevant board or governing body has to approve them. The other party to any agreement with the International Institutions is the government of a member-state. In the International Financial Institutions’ case, it is the borrowing government that must negotiate and sign the loans and credits — not NGOs, not opposition groups, not intellectuals from that country, but the officially designated representatives of the government, exercising its sovereign rights.

While the ultimate beneficiaries may be "the people", or "the poor", given that International Institutions are constructed as associations of member states, the channel of communication remains the government concerned. This does not imply that International Institutions staff do not have the right to contact others in the country. The World Bank, for example, is obligated to form an independent judgement in deciding on an investment, and this calls for contacts with persons other than government officials and for field visits as well. Thus, while this requirement to form an independent judgement gives the World Bank staff some leeway to avoid excessive restrictions by governments of member states, it does not fundamentally affect the role of governments or the sovereignty of its member states.
Since poor countries generally have fragile politics and weak systems of accountability, with few autonomous institutions and little countervailing power to that exercised by the government at the center, external agencies are potentially key political players capable of exerting considerable influence in promoting good or bad governance. In raising the shortcomings of a country's governance, external agencies are calling into question its government's performance. Clearly, this goes further than a critique of a particular program or project (generally regarded as a legitimate concern of a financing agency), to touch on the ability of a regime to govern effectively in the interest of its citizenry. This is a set of issues on which, to say the least, governments are likely to be defensive and where external intrusion could be considered to be offensive.

Beyond the considerations of sovereignty discussed above (and hence the efficacy of external interventions), tackling governance raises the fundamental issue of the link between government and the governed, and between state and society, which are both culturally and politically sensitive. Few development questions are merely technical; typically they involve a great deal of political judgement and there are no accepted means of arbitration between competing views. Such judgements are inherently hostage to cultural and social particularities. The intrusion of external views and judgement may well be resented and hence be counter-productive.

From this discussion, it is clear that the actions of external agencies, if they are to be effective, must be thorough convincing and assisting the governments in power to improve governance while accepting the sovereignty of the state. In this case, for there to be a successful partnership between external agencies and the beneficiary countries, there must be a strong recognition of interdependency on both sides.

While the governments of sovereign states have every right to resist the individual or collective actions of donors in fostering what they perceive to be good governance, bilateral donor agencies representing sovereign states equally have a right to condition their assistance on "measurable" progress being made by the recipient governments to improve governance. Moreover, there is a growing appreciation among donors that improved governance is central to achieving development and that
external aid will never yield lasting benefits unless concrete steps are taken to tackle the systematic causes of poor governance. But the right to be proactive and the willingness to be so does not in itself ensure donor effectiveness in this area. It is therefore proposed in the next section of this paper to examine modes of intervention that seem both justifiable and promising. However, there is one other issue that must first be addressed, namely: how can donor agencies be held accountable by the international community for the actions that they take to promote better governance which will affect the welfare of many millions of people?

In the case of the International Institutions, it can be argued that there are already established mechanisms for their control and supervision via their governing bodies which invariably include both donors and LDCs. However, there is not a comparable constraint on the activities of bilateral agencies, which are subject to considerable pressure from their own interest groups and therefore need to be restrained by some form of international process for accountability. This may to some limited extent be achieved through the reinforcement of Consultative Group processes where donors would explain their actions. In addition, the Development Assistance Committee of the OECD is already a forum encouraging self-regulation which has done much to improve donor practices. Even though "peer" pressure does act to constrain the blatant exercise of national self-interest by donors, it is a weak mechanism that needs enhancing. This is a topic that merits further study.

5. Fostering Good Governance

From the earlier discussion on the core characteristics of good governance that can be considered to enjoy a broad consensus internationally, it may be concluded that good governance depends on the extent to which a government is: perceived and accepted by the general citizenry to be legitimate; committed to improving general public welfare and responsive to the needs of its citizenry; competent in assuring law and order and in delivering public services; able to create an enabling policy environment for productive activities; and equitable in its conduct, favoring no special interests or groups.
For these conditions to be fostered, it is necessary (though not sufficient) to have in place credible arrangements for:

- **political accountability** through an objective system for periodically renewing the mandate of a government or changing the political leadership by peaceful and democratic means;\(^{28}\)

- **freedom of association and organization** to prosecute specific interests (e.g., the formation of NGOs, religious groups, professional associations, cooperatives and the like), and to enable the supposed beneficiaries of government programs to participate effectively in determining and meeting their needs;

- nurturing an **objective and efficient judiciary** that administers the law objectively and impartially;

- ensuring the **bureaucratic accountability** of public agencies and officials through formal and transparent processes for monitoring and reporting promptly their actions (e.g., through the maintenance of proper financial accounts, public auditing and the imposition of prompt penalties for malfeasance, etc.);

- **freedom of information and expression** which is not only a prerequisite for achieving accountability and responsiveness to the needs of the general public, but is also essential for economic efficiency;

- fostering **efficiency** within public institutions by enhancing technical and management capacities and improving organizational arrangements and management systems.

In discussing the possible role of external agencies in addressing these different facets of governance, it is important to bear in mind the distinction between the political and technical dimensions of governance noted earlier. In addition, it is also important to address the three levels of government: central, intermediate and community. These correspond roughly to the macro, meso and micro levels used in economic analysis.

\(^{28}\) J. Lonsdale (1986).
Let it be stressed from the outset that, given the risk of ethnocentric and cultural bias, it behooves the external agencies to be extremely cautious in proposing specific solutions for achieving the conditions for good governance listed above or advocating a particular arrangement for achieving them. Through dialogue and analysis, options can be examined, but ultimately it must be the responsibility of the sovereign state to determine its own home-grown solutions. For their part, external agencies within the legal limits of their statutes, have a right to judge whether the solutions proposed appear credible, to assist and to monitor their implementation, and to modulate their financial assistance accordingly.

Lastly, one must recognize that the facets of good governance are not all conceptually independent nor invariably complementary. Conflicts may easily arise at least in the short run. If open and participatory processes are pursued, for example, governance may become less predictable and efficiency can be reduced. Nonetheless, over the longer term it seems likely that the interlinkages will mostly be mutually reinforcing, since processes imposed on beneficiaries are generally less sustainable than those developed through a participatory process.

**Political Accountability.** Ostensibly governments exercise power for the purpose of promoting the well-being of the general populace. In practice there is a constant danger that the political and bureaucratic elites holding office will manipulate state power for their own benefit unless constrained. The classic mechanism for ensuring political accountability built into most constitutions is to subject the political leadership (and even other public officials at the three levels of government) to an electoral process with limited periods in office. This does not necessarily mean a multiparty system nor, as has been argued earlier, can it be objectively asserted that a system of democratic elections necessarily leads to good governance. But there is a wide consensus that some system of popular choice is normally required to legitimize a government, make it responsive to popular demands, and thereby help create an environment where public agencies feel impelled to devote themselves more to promoting development rather than to suppressing popular discontent.

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External agencies can assist, and indeed are currently assisting, in promoting political accountability in various ways. **First**, there is much scope for conflict resolution, such as that attempted by the Carter Center (in Ethiopia and Sudan) and encouraged (as yet rather ineffectually) by various regional organizations (e.g., OAU and OAS) and by the UN system. **Second**, by helping to organize and monitor elections, as was done recently in Eastern Europe, Namibia, Panama and Nicaragua. Occasionally, donors have acted by withholding external financial support from governments that have clearly lost popular support to the point where they cannot govern effectively until they adopt a credible process of legitimation, as was the case for Benin in early 1990.

While there should be no question of imposing a particular democratic system on any country, it would seem to be reasonable for the international community to withhold assistance from a government which cannot demonstrate that it enjoys some minimal level of popular support, and that those holding the highest political office submit themselves periodically to some form of genuine and transparent process of popular choice. Willingness of some donors to continue to deal with regimes that did not have minimal levels of popular support (such as that of Bokassa in the Central African Empire or Amin in Uganda) was largely ineffective in promoting development and arguably may have delayed rather than promoted good governance.

These matters are inevitably highly judgmental. To move more effectively towards a policy of aid sanctions will require a cautious, consensual approach that develops an internationally agreed and recognized framework for collective actions, that would involve the key OECD bilateral agencies as well as the developing countries.

**Freedom of Association and Participation.** Closely allied to the above concern is the question of whether a country’s citizenry enjoys the freedom to organize according to specific interests. Institutional pluralism can be seen as an important mechanism for diluting and disseminating exclusive

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30 At the request of the Argentinian government, the World Bank has been assisting Argentina to strengthen its elected local government system, concentrating particularly on fiscal efficiency.
central political power.\textsuperscript{31} But it is not always conducive to stability. As has been demonstrated repeatedly, particularly recently in Africa and Eastern Europe, where people have shown a strong tendency to organize along ethnic lines, pluralism can be socially and economically disruptive. This is not a reason to oppose freedom of association, but it involves certain risks, which may call for special counter-measures.

At the national level, freedom of association means the freedom to establish religious groups, professional associations, women's groups and other private voluntary organizations to pursue political, social or economic objectives. Clearly it is the latter two which would be of principal interest to external agencies concerned with assisting development. Donors can provide valuable financial and technical assistance to such organizations, which can empower groups that are otherwise marginalized within the existing political and economic system. Surprisingly little has been done in this sphere, not so much due to official opposition as simply because this aspect of institution building has not attracted significant donor attention.

The situation is different at the local level. Considerable assistance has been provided by donors to grassroots community organizations and cooperatives, often channelled through NGOs. These are viewed as directly addressing the needs of the poor. The success of such initiatives in promoting better governance is evident from the political impact local NGOs have begun to have in a number of developing countries. The risks, openly acknowledged by those active in this field, are that the leadership of NGOs and community associations may be captured by local elites that are not responsive to the needs and interests of ordinary members.\textsuperscript{32} The involvement of foreign NGOs may mitigate these risks, but ultimately systems of accountability must be built into the institutional design of each organization (e.g., the self-policing of cooperatives via cooperative unions as happens in the Cameroonian credit union movement).\textsuperscript{33}

\textsuperscript{31} Ake (1990), Hyden (1990) and Korten (1990).


\textsuperscript{33} World Bank (1989), p. 94.
This leads to the broader role of external agencies in promoting the active participation of the ultimate beneficiaries of development projects and programs that they finance in both design and implementation.\textsuperscript{34} There is now a wide consensus in the development community on the desirability of such participation and few governments would openly oppose the concept. Nonetheless, even for regimes that were not notably repressive, such grassroots "democratic" initiatives have frequently been regarded as potentially threatening, and hence more reason for the external agencies to seek effective and genuine participatory arrangements, while giving due attention to the possibilities of local abuses. And indeed, by deliberately supporting the development of plural institutional structures, external agencies can help to create progressively an environment that will tend to constrain the abuse of political power.

\textbf{A Sound Judicial System.} There are few aspects of governance where consensus is more firmly established within the development community than on the need for an objective, efficient and reliable judicial system as a prerequisite for good governance. The means for achieving this has been to create a strong and independent legal profession capable of defining and imposing professional and ethical standards, and by instituting a process for the selection of judges based on professional criteria, by guaranteeing the judges' tenure of office. An essential concomitant is the creation of honest law enforcement agencies that effectively carry out court decisions and to have a court administration that ensures that cases are dealt with expeditiously and at reasonable cost to the plaintiff.

The public acceptance of a country's legal system is in part a function of the citizens' perception about the fairness not only on the administration of established laws, but also of the laws themselves -- laws enacted by who and for the benefit of whom? Thus, achieving the rule of law is inseparable in a fundamental sense from the issue of political legitimacy.\textsuperscript{35}

Typically, external aid agencies have been reluctant to assist in strengthening judicial systems because the link to development is seen (incorrectly) as indirect. More particularly, external agencies have

\textsuperscript{34} See e.g. L. Salmen (1990) and D. Karten (1984) pp.176-188.

\textsuperscript{35} Kuitenbrouwer (1986).
feared that their involvement in law enforcement will risk association with inequitable or unjust law enforcement. While very real, these risks can be exaggerated. The urgent need for solid legal training and for technical assistance in improving court administration poses no risks. Nor does assistance in publishing and disseminating a country's body of laws. Often there is no up-to-date, comprehensive set of laws available to the general public and the official government gazette is frequently not published regularly -- all simple matters that are nonetheless a prerequisite for the efficient administration of justice.

Weaknesses in the legal system -- ignorance of the laws and regulations in force, lack of predictability in their administration, delays in handling court cases, lack of enforcement of court decisions -- all tend to increase business costs, discourage private investors and generally obstruct development. Moreover, they imply considerable injustice and inequity. More fundamentally, there can be no legal accountability (a prerequisite for effective political and bureaucratic accountability36) without a sound judicial system.

The inefficiencies in a country's judicial system can be systematically tackled by a committed government and improvements can easily be monitored. Governments unwilling to address these problems may be viewed as lacking commitment to good governance and hence may be justifiably penalized by external agencies whose financial assistance is being sought.

**Bureaucratic Accountability.** To be fully effective, measures to achieve political and legal accountability need to be accompanied by arrangements to make bureaucracies accountable. To this end, the performance of public agencies and officials requires monitoring and an effective system to be put in place to correct bureaucratic abuses and inefficiencies. The issue is how to design arrangements that are not subject to political interference or manipulation by the officials whose behavior is being controlled. This is partly a technical question, but equally a political, social and cultural matter. The two are closely intertwined. Political commitment to establish honest and effective systems of bureaucratic accountability can only be achieved through the existence of effective system of political accountability and a sound

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judicial system as discussed above. Without strong political commitment, there cannot be effective systems of bureaucratic accountability.

Even with strong political commitment, it is no easy technical matter to achieve bureaucratic accountability. Since much depends on the social and cultural environment that determines the ethical standards and social norms which underlie the behavior of bureaucrats. Nonetheless, considerable experience exists worldwide which can be drawn on. The need here is to follow the classic Japanese injunction to "adopt modern (western) technology, but keep the spirit Japanese." In other words, bureaucratic systems must incorporate an incentive system compatible with local social values.

A critical dimension of accountability is transparency, which implies making readily available for public scrutiny all public accounts and audit reports (including those of all parastatal organizations), a practice that most governments strongly resist for obvious reasons. There can be little justification for secrecy and any exceptions need to be carefully circumscribed. Even secrecy about military expenditure is hard to justify and almost always is a cover for abuse. This is not a question of sovereignty, but simply a matter of good governance, that every citizen, as well as every donor, has a right to expect. They can and should insist on it.

At the core of bureaucratic (and political) accountability is the need for rigorous systems of financial management and procurement, with swift and tough penalties for malfeasance. Sound methods of accounting and auditing, and of customs duty and other revenue collection, are readily available and there can be no excuse for laxity. The same is true for procurement. External aid agencies have been extraordinarily tolerant of financial abuse and indeed have at times indirectly shown complicity in corrupt practices by responding to improper pressures from their own suppliers. The financing of "commissions" by export credit agencies is but one example.37

There is a considerable technical literature on other aspects of accountability. Much of it has focussed on monitoring inputs rather than outputs, although the latter is equally important. As

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37 See, for example, P. Pean, (1988).
Paul\textsuperscript{38} has recently stressed, there are in essence two ways to promote accountability in respect of the outputs: exit and voice. Where the supposed beneficiaries have a choice, as is the case with competitive markets for goods and services, expenditure switching (i.e., exit) effectively disciplines the suppliers. However, in the case of public goods and monopolies, the only way for beneficiaries to protect their interests is by making their voice heard -- ultimately through elections, but on a day-to-day basis through special-interest organizations (e.g., parent associations, trade unions and the like). As was discussed earlier, donors can play an invaluable role directly, or through local NGOS, in helping to build mechanisms for giving beneficiaries an effective voice in the delivery of public services. Here again vigilance is needed to discourage powerful interests capturing these mechanisms for their own benefit.

Fostering markets and helping to create quasi-market mechanisms (e.g. contracting out the provision of services such as refuse collection or road maintenance through competitive building procedures) is also a useful way to foster accountability and donors can help arrange for this. Other instruments that can be considered include the appointment of an ombudsman and watch dog committees, holding public hearings and conducting opinion polls. Also loosening controls and simplifying the regulatory framework, if it facilitates competition, will increase the opportunities for exit. However, less regulation may equally increase monopolistic abuse. Again much care must be taken in designing the arrangements to fit the specific circumstances. 'There is, however, a happy coincidence in that depending more on markets and less on administered systems is likely both to improve economic efficiency and reduce the opportunities for "rent seeking".

**Freedom of Information and Expression.** The free flow of information is crucial for accountability. Efficient markets depend on good information as does the exercise of "voice". The need for the free dissemination of information goes well beyond facilitating accountability. Vital data such as that relating to national accounts, trade, balance of payments, employment, cost of living, household expenditures and the like are frequently withheld from the public and yet such information is essential to

\textsuperscript{38} S. Paul (1991).
permit public debate of the performance of a government and its public agencies and to enable informed policy discussions to take place which is at the heart of a healthy political process. Moreover, good social and economic data are important for business planning and their absence is a hindrance to development.

There are many ways for external agencies to assist in the collection and dissemination of economic and social data and other information needed for informed public debate. And yet, their efforts in this field have been remarkably slight. The need is for sustained and coordinated programs to assist in building national capacities for data collection and dissemination, as well as to encourage public debate by financing seminars and public information programs.\(^{39}\) It is not enough for the information to be available; analysis and research are also needed, and this should not be a monopoly of the state. Donors can contribute to this process by funding independent research organizations and by supporting the autonomy of the universities.\(^{40}\)

**Capacity Building.** Good governance requires not only political commitment and systems for ensuring accountability, the sound administration of justice and freedom of information but also competent public agencies. This is an area where external agencies have been active for many years, but still with poor results. The failure of external assistance for public management is partly because political commitment was lacking, but it is also due to the poor design of the interventions. This is not the place to examine the broad topic of external assistance for public management reform, but simply to state that much more imagination and determination is needed to deal effectively with the many issues involved. However, two features merit stressing: first, that capacity building is a long-term venture and external agencies need to evolve approaches that will enable sustained long-term support programs to be adopted. Second, external agencies cannot be fully effective unless they adopt a collaborative approach in

\(^{39}\) The data collection through household surveys initiated under the LSMS program and adapted by the Social Dimensions of Adjustment Project in Africa, sponsored by some 11 agencies is a good example of what can be done.

\(^{40}\) The African Economic Research Consortium, located in Nairobi and sponsored by the Rockefeller Foundation, CIDA and several other bilateral donors, is a good example of a donor-sponsored research program.
partnership with the governments concerned. There needs to be a much more concerted effort to help governments define clearly a single comprehensive program of administrative reform and capacity building which all concerned can support. Examples of such programs abound — including Ghana, Gambia, CAR, and Madagascar to name but four in Africa supported by the World Bank.

6. The Differing Roles of External Agencies

There are many different external actors and each has its distinct role in fostering better governance depending on their varying missions and mandates. It is self evident that external agencies generally can more easily address the technical aspects of governance, but by no means exclusively so, depending on their nature. It is therefore important to discuss separately the possible contributions of each category of external agency. Little of what is set out below has not already been tried, but in most instances rather half-heartedly. It is only by pursuing these opportunities more energetically that progress may be made.

International and Multilateral Institutions. Since, except in the case of the newly created European Bank for Reconstruction and Development, the statutes of international and multilateral institutions expressly rule out political considerations, the focus of their action must be on the technical aspects of governance. Thus, the World Bank and UN Agencies have been active in assisting countries in strengthening their public administration (including the administration of justice), reforming public enterprises and building institutional capacities. This is entirely the right focus, though much more could be done to improve the effectiveness and sustainability of technical assistance in this area. In addition, there has been increasing effort to promote institutional pluralism by fostering local government\(^{41}\), NGOs, and grassroots organizations\(^{42}\) with the objective of mobilizing local human and financial resources in the provision of community services. There is no reason why this support for institutional

\(^{41}\) For example the multi-donor Municipal Development Program located in Harare, and sponsored by the World Bank.

\(^{42}\) L. Salmen (1990).
development cannot also be extended to assisting the growth of a whole range of non-governmental organizations including professional associations, chambers of industry and commerce. Lastly, institutional organizations are already a major (sometimes the only authoritative) source of basic social and economic data. This is an invaluable service which could be expanded.

**Bilateral Agencies.** Although international agencies have a particularly strong role to play in the areas noted above, bilateral agencies can also contribute significantly in similar ways. In addition, it is clearly open to bilateral agencies to use their influence to promote political accountability and respect for human rights. This would be most effective if it were focussed particularly on encouraging the rule of law in all its different dimensions. Helping to organize fair elections by furnishing both resources and observers is another possibility. The practice of supporting particular political parties, however, clearly undermines good governance by putting in question the political process.

Important opportunities exist for bilateral donors to promote honest government by channeling funds in ways that reduce the chances of corruption. By untying aid, insisting on open competitive procurement procedures, and outlawing bribery or the payment of "commissions" by their suppliers. The United States has given the lead on this, but other OECD countries have so far been reluctant to follow.

**Non-Governmental Organizations.** There are two special contributions that industrial country NGOs can make to promote better governance. One is to support developing country NGOs and hence foster pluralism. Their relative small size means that they can operate more effectively than other agencies at the community level and they are less constrained by the need to maintain a special working relationship with the central government authorities. This gives them greater credibility with the groups they are assisting. The second is to address human rights abuses in a manner that is seen to be completely apolitical. Moreover, by achieving a strong reputation for professionalism and objectivity an organization such as Amnesty International has achieved considerable moral authority in international affairs. It is not unimaginable that a comparable institution -- perhaps to be called Integrity International -- could be established to expose major corruption. Such an organization would need to be even handed in its
treatment of developed and developing countries and would address the practices of both public officials and transnational corporations. Another area where specialized NGOs such as the Carter Center in Atlanta may be effective, as noted earlier, is in conflict resolution. This is related to various other humanitarian actions to relieve suffering and re-establish civil order in war-torn zones.

Yet another category of activities where NGOs can play a key role -- namely, in twinning arrangements or networks between groups with common concerns or shared missions -- professional associations, trade unions, chamber of commerce and industry, and other special interest groups.

A General Issue. The issue of conditionality is often raised -- on the one hand by representatives of some external agencies who believe that an element of coercion is needed to counter-balance the private agendas of the ruling elites, and on the other hand by developing country officials and many others who view coercion as either counter-productive or an unacceptable infringement of sovereignty. As a general principle, institutional reforms are unlikely to be sustained unless underpinned by a genuine political commitment. Thus, it is self-evident that a collaborative approach is likely to be more effective than coercion over the long run. However, it has been found useful in the context of structural adjustment lending to overcome inertia by setting a timetable for specific agreed actions (considered to be crucial for the achievement of program objectives) which is linked to the release of external funds. For this reason conditionality should be regarded as a judgmental matter, depending on the circumstances and the actions being sought.

7. Conclusion

While recognizing that the world order remains strongly anchored to the principle of the sovereignty of nations, nonetheless external agencies can contribute significantly to fostering good governance in those countries seeking their assistance. Let us reemphasize that we are talking about governance and not a specific form of government, and recognize that governance covers both political and technical aspects. The latter is essential for effective development. Without better governance aid resources are likely to be largely wasted. While concerted action among agencies would ensure a greater
impact in fostering better governance, not all agencies have the same role to play. Bilateral agencies can press for political accountability, and non-governmental and some international agencies can address issues of human rights abuse and conflict resolution, while the international financial institutions are mandated by their statutes to promote only the developmental aspects of governance more narrowly defined. But all agencies could be more insistent on governments instituting more effective systems of bureaucratic accountability and could provide more targeted assistance programs aimed at strengthening capacity building for both public and private institutions. They could promote a more plural institutional structure, better information flows, the rule of law, and a more participatory development process. This, too, is a route to greater political accountability.

At one extremity donors will enjoin the willing collaboration of governments committed to improving their effectiveness. At the other extreme there will be governments that have entrenched elites strongly resistant to reform where the donors will need a solid front if progress is to be achieved. The majority will be somewhere in between. The goal is not some theoretical ideal state of governance, but rather to achieve painstaking progressive and systematic improvements. To this end it would be useful in the case of each country to set benchmarks in terms of each of the components of governance discussed above against which progress could be measured.

The effectiveness of external interventions will be a function of their sensitivity to local conditions and the degree of popular participation that is engendered. Although close coordination among agencies is a prerequisite for a concerted and coherent approach, the success of external interventions is likely to depend less on coercion and more on persuasion and on progressively changing internal power structures brought about by education, income growth and pluralistic institutional development.

Good governance is a fragile plant that will need sustained nourishing. It will require a fundamental change in mentality and social expectations that will change only gradually. However, the pace of change is likely to be strongly influenced by economic circumstances. Economic crisis can
precipitate radical political change and lead to a rapid change in the perception of what is and what is not possible. We are living in a period of such crisis and change.

The possibilities for positive action by donor agencies does not negate the urgent need to understand better the complex conceptual and cultural issues related to governance. Some efforts are already underway in academic and international fora (e.g., the governance program at Emory University in Atlanta, Georgia and the UNDP's follow-up to their first Human Development Report). In the context of such thinking, complex matters raised in this paper -- the state-society relationship and the link between effective development processes and questions concerning legitimacy, power, representativeness and participation, as well as human and civil rights, the rule of law, political processes, patronage, corruption, etc. -- should all be the subject of further inquiry, and their multi-faceted nuances explored to arrive at a more lucid understanding of the issues surrounding the code word "governance." Thus, through a two pronged approach -- more thorough and complete conceptual analysis by scholars combined with pragmatic and collaborative operational initiatives by donor agencies and recipient governments -- it should be possible to achieve significant improvements in governance.
References


