MAKING SENSE OF GOVERNANCE:
The Need for Involving Local Stakeholders

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Introduction

There is no shortage of references to the notion that the quality of governance matters to development. Many observers and analysts believe that it is the main reason for explaining variations in socio-economic development performance around the world. Kofi Annan, the U.N. Secretary-General, maintains that good governance is perhaps the single most important factor in eradicating poverty and promoting development. More bluntly, *The Economist* has noted that of all the ills that kill people, none is as lethal as bad governance. Similar concerns are reflected, for example, in the views people in both developed and developing countries volunteered for Gallup's Millenium Survey – the largest ever public opinion survey – and a study funded by the World Bank featuring voices of the poor in developing countries[1].

While few dispute the significance of the governance variable, there is much less agreement about how the concept should be used and what it really means. So far, it remains a much more rhetorical notion than one that can be used to truly assess and measure variations in governance. Our understanding remains very limited on such fundamental questions as: when, why and how does governance make a difference to the way a country develops?

The main reason for this unsatisfactory state of thinking about governance is that its usage has been pioneered and dominated by international development agencies, both multilateral and bilateral. Although it is positive that these agencies focus on governance issues, they all have a specific program mandate determining the way the concept gets translated into practice. While all these actors may share the opinion that governance in one manner or the other refers to the task of 'getting politics right' much the same way that the Washington-based international finance institutions once propagated the importance of 'getting prices right', their use of it reflects programmatic objectives and considerations peculiar to each agency.

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[1] D. Narayan, R. Patel, K. Schafft, A. Rademacher, and S. Koch-Schulte, *Voices of the Poor: Can Anyone Hear Us?* Washington D.C.: The World Bank 2000.

It should be no surprise that this happens, but it is unfortunate. It leaves each agency defining it in ways that typically cover all reform activities that it funds. A closer look at how the World Bank uses governance indicates it refers to a whole range of institutional reforms that its various departments support. Much the same is true for the UNDP, which talks of governance in reference to political, administrative and economic reforms. The Swedish International Development Cooperation Agency (Sida) has been inclined to tie governance to changes in such areas as respect for human rights and conflict resolution. In no case is governance anything other than an overarching program concept.

The common denominator for all these agencies is the idea that 'good' governance is a reflection of what works in Western democracies. This normative or ethnocentric tendency is very much apparent in the recipes that the agencies provide to developing countries. So called best practices include multi-party politics, competitive market economies, decentralization, a 'lean' public service, and several other such ideas that are currently mainstream in Western countries and dispensed with through various institutional mechanisms in the international community.

Their use of governance, therefore, is open-ended in its scope of coverage, yet normatively confined in orientation. It makes no real distinction between governance and other concepts such as policy making or policy implementation. Governance, in the end, is just a synonym for getting the political machinery to work better. "Good" governance is to get it to work more specifically along lines identified as preferred practices by the donors and their supporters in Western Europe and North America.

To the extent that governance is the subject of evaluations, therefore, it is being measured in general terms against the standards of already developed societies and mature democracies. Various indices have been created to rank countries in terms of their respect of freedoms and rights (Freedom House, Washington D.C.), prevalence of corruption (Transparency International, Berlin), or adherence to free market principles (Economic Intelligence Unit, London). There are a number of specific problems with their approach. The first is the normative preference in favor of rules associated with liberal-democratic or capitalist societies. The second is that ratings are usually done by international panels comprising only a few individuals, who, despite their expertise, are far removed from the

realities of individual countries that they are being asked to rate and rank. The information often comes from secondary sources and the scales used are often crude and provide for few, if any nuances. Finally, most assessments are focused on a narrow set of issues and leave out some important governance indicators. But, since there is so little existing data, these specific assessments are used as broader indicators of governance.

The most ambitious and encompassing of all these attempts has been carried out by Daniel Kaufmann and his colleagues at the World Bank Institute. They have constructed composite measures for six dimensions of governance drawing on over 190 different measures of perceptions of governance compiled by 17 organizations worldwide, and covering up to 170 countries[2]. Among the many findings that they have reported[3] is the relationship between governance and economic growth. Not surprisingly, they found that there is no clear-cut causal relationship one way or the other. They observe no 'virtuous circles' of when better governance improves income, which in turn helps further automatic improvements in governance. Their conclusion is that good governance is not a 'luxury good' to which a country automatically graduates into when it becomes wealthier. While we laude the effort by Kaufmann and his colleagues, there are methodological difficulties of working with aggregate data measures. Not only are there significant margins of error in their data set – something the authors report and consider – there are also problems of knowing exactly what these measures really add up to in the end. The exercise is in danger of ending up with primary emphasis on the nitty-gritty details of methods instead of the substantive and real concerns of governance.

To illustrate the undeveloped study of governance, their aggregate measures are still considered the best that we have at present, but the researchers at the World Bank Institute, like many others, are now arguing for the need to collect primary data that focuses on governance issues in a more direct and comprehensive fashion. The World Governance Assessment that we are reporting on here is meant to do exactly that.

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[2] The six dimensions of governance covered by the WBI studies are: (1) control of corruption, (2) protection of property rights or rule of law, (3), voice and accountability, (4) government effectiveness, (5) regulatory quality, and (6) political stability.
[3] For reference to the indicators and the papers produced by the World Bank Institute, look at
http://www.worldbank.org/wbi/governance.htm

The World Governance Assessment

The aim of the World Governance Assessment (WGA) is, first, to generate new systematic and meaningful data that will enhance understanding of how governance makes a difference to the way a country develops. A second objective is to provide national and international policymakers as well as NGO representatives with insights into how governance can be improved. A third key component of the WGA is to help develop the capacity to undertake governance assessment work in countries where it matters most.

The novelty of this project is not just its ability to generate new primary data on governance. Equally significant is that it is obtaining it from local stakeholders. Existing data sets, such as those referred to above, are generated by international experts panels or clients, e.g. business people, with an interest to know the political risk or corruption levels in particular countries. The first of these approaches may generate data that can be used to rank countries on a specific index, e.g. on corruption or freedom and rights. It is not very helpful, however, in getting a better understanding of what really happens to governance on the ground in these countries. The second approach suffers from being too client-dependent, thus generating data that contain perception biases. It becomes especially problematic when it is translated into lists ranking countries on specific criteria, especially since this is typically interpreted as an indication of the quality of governance in particular countries. In short, many countries get 'stigmatized' based on perception surveys or panel rankings that do little justice to overall quality of governance, yet claim to do so.

The WGA is getting around this by relying on interviews with a cross-section of the experts in each country. Ten expert categories have been identified in order to enable us to get the views of as broad a range of the relevant stakeholders as possible[4]. We are confining our survey to the elite, because pre-testing has demonstrated that ordinary citizens rarely demonstrate enough knowledge or comfort to assess systemic governance issues like this survey includes. In the pilot phase, which was carried out in 22 countries in 2000-01, we learnt that a careful selection of representatives for each category is one of the most

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[4] These categories are: (1) Government, (2) civil servants, (3) legislators, (4) lawyers, including judges, (5) media representatives, (6) religious groups, (7), business people, (8) academics, (9) representatives of civil society organizations, including trade unions, and (10) officials in international organizations

important challenges associated with this assessment. In the proposed second phase, due in 2004-05, we expect to select a minimum of ten persons per each category from a sample that will be designed with particular criteria in mind.

Yet another thing that is novel about this project is the way it has been conceptualized and operationalized. Governance is not just a loose amalgam of principles and activities put together into a pragmatic fashion. Nor is it derived from a liberal-democratic model of politics. Our use of it comes from a model that provides the basis for a comprehensive, coherent and systematic approach to the subject.

Our starting-point is an input-output model of the political process. Governance refers to the handling of the rules or norms that guide each stage or arena in this process. As such, our use of the concept is confined to rules-in-use, i.e. those formal or informal rules that apply to how issues emerge in the public and are handled by the political system. More specifically, we define governance as *the formation and stewardship of the rules that regulate the public realm – the space where state as well as economic and societal actors interact to make decisions*. Governance is a voluntarist activity that helps define the terms and conditions, under which policies are made and implemented. The quality of governance, therefore, is measured in terms of how well the various actors handle the rules that make up the basic dimensions of the political regime. As we are asking local stakeholders for their opinion, we are essentially inviting their opinion about the degree to which this regime is legitimate.

In order to capture the various components of the political process, we have disaggregated it into six stages or arenas, the assumption being that an issue tends to arise among citizens, eventually reach various political institutions before being decided upon and implemented by relevant public authorities. Our framework for data collection and analysis, therefore, includes the following six arenas:

- *Civil society*, where citizens become aware of and may raise issues for the attention of public authorities;
- *Political society*, where issues are aggregated by political parties and legislatures;

- *Government*, where the stewardship of the system as a whole tends to lie;
- *Bureaucracy*, where policies and prepared and implemented;
- *Economic society*, where relations between state and market are determined;
- *Judiciary*, where disputes are settled.

We treat these as functional categories that can be found in any political system. To be sure, the extent to which civil society may be involved in the political process will vary from one country to another, but how much it does and with what consequences for regime legitimacy is an empirical issue to which the WGA tries to find an answer.

The next design issue has been how make an assessment of governance that is not loaded in favor of a liberal-democratic model of politics. The challenge has been to identify a set of principles that transcend this model, yet speak to the governance realities in countries whether they are liberal-democratic or something else. Drawing on the governance literature and the Universal Declaration of Human Rights, which all countries with one or two exceptions have adopted and ratified, we have identified six principles that appear to be the closest to 'universal' values that we can come in this exercise:

- *Participation*, the degree of ownership and involvement that stakeholders have in the political system;
- *Fairness*, the degree to which rules are perceived as applying equally to every one on society regardless of background;
- *Decency*, the degree to which rules are formed and handled without humiliating or harming particular groups of people;
- *Accountability*, the extent to which political actors are seen as acting responsibly and responsively in relation to their constituents;
- *Transparency*, the extent to which decisions are perceived as being made in a clear and open manner;
- *Efficiency*, the extent to which limited human and financial resources are seen as being used prudently.

The last three of these principles refer specifically to how officials behave in public office, the first three points to the way they interact with citizens. Taken together they allow us to

create a set of indicators that allow us to measure governance performance in the six arenas in a coherent and comprehensive fashion. Each of these indicators has been identified in consultation with a range of academics, officials in international organization concerned with governance, and representatives of both governments and civil society in developing countries. Most importantly, they have been tested in the first phase of this project – and found acceptable in 16 countries representing 51% of the world's population. The thirty-six indicators used in this project are included in the matrix below:

Figure 1. Summary of indicators used in the World Governance Assessment.

Principle / Arena	Participation	Fairness	Decency	Accountability	Transparency	Efficiency
Civil society	Freedom of association	Society free from discrimination	Freedom of expression	Respect for governing rules	Freedom of the media	Input in policy making
Political society	Legislature representative of society	Policy reflective of public preferences	Peaceful competition for political power	Legislators accountable to public	Transparency of political parties	Legislative function affecting policy
Government	Intra-governmental consultation	Adequate standard of living for citizens	Personal security of citizens	Security forces subordinated to civilian government	Government provide accurate information	Best use of available resources
Bureaucracy	Higher civil servants part of policy-making	Equal access to public services	Civil servants respectful towards citizens	Civil servants accountable for their actions	Clear decision-making process	Merit-based system for recruitment
Economic society	Consultation with the private sector	Regulations equally applied to all firms	Government's respect for property rights	Regulating private sector in the public interest	Transparency in formulating economic policy	Obtaining licenses free from corruption
Judiciary	Non-formal processes of conflict resolution	Equal access to justice for all citizens	International human rights incorporated in national legal practice	Judicial officers held accountable	Clarity in administering justice	Efficiency of the judicial system

With this design of our governance assessment, we are able to do several things that other measures do not achieve. The first is to make the study of governance performance a global concern, not just one defined for countries with a so-called 'democratic deficit'. Governance is not a luxury state into which one graduates, nor is it something that countries – developed or developing – can take for granted. Second, governance performance can be high in developing countries and poor in developed countries, something we are able to capture by asking local stakeholders, not international panelists, to provide the assessment. Governance in our study is a live and dynamic, not a static notion. This creates a fairer lens

when it comes to assessing country performance and reduces the assumption that only countries that live up to the canons of liberal democracy are governed well. Publication of the results from the first phase of the project demonstrates that among the top six performers were some countries that would never have made it in other governance indices, e.g. Jordan, Mongolia and Tanzania[5].

Collecting data on governance performance from local stakeholders and developing a conceptual scheme that reduces ethnocentric biases and instead enables countries to be perceived as high performers regardless of a democratic deficit are significant for two good reasons. The first is that it provides an incentive for assessing and dealing with governance issues regardless of whether the country is developed or developing. The second is that it reduces the tendency to stigmatize countries based on superficial or slanted assessments by outside observers. For instance, a recent study by the World Bank and the European Bank of Reconstruction and Development (EBRD) of 'transition' countries in Central and Eastern Europe, Russia, and Central Asia confirmed that potential investors are more influenced by the perceived image of the political system at large rather than the quality of specific political institutions[6]. Our assessment provides a valuable and independent complement to these other surveys that are driven more directly by specific client interests.

We also believe that the WGA will become an important complement to studies of democratization. This genre has lately lost some of its luster, because of disagreements over key concepts and their operationalization. This literature has also begun to lose some of its interest among analysts and practitioners because 'transition' and 'consolidation' are no longer such clear-cut concepts as they were seen to be when first applied some time ago. Transcending the limitations of these studies provides the possibility of broader comparisons, involving countries that have not been at the center of studies of democratization, e.g. China, and many other smaller nations, not the least in Africa, the Caribbean, and the Pacific.

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[5] See Goran Hyden, Julius Court, and Kenneth Mease, *Making Sense of Governance: Empirical Evidence from Sixteen Developing Countries*. Boulder, Co. and London: Lynne Rienner Publishers 2004.
[6] A report on the findings generated by this project – the Business Environment and Enterprise Performance Survey (BEEPS) – was made at the 11th International Anti-Corruption Conference organized by Transparency International in Seoul, Korea, May 25-28, 2003.

The WGA – The Next Phase

The idea of a new global effort to systematically collect data on governance issues has now been in existence for some fours years since its inception at the United Nations University in Tokyo by Julius Court and Goran Hyden. In addition to the book mentioned above, the project has generated a number of UNU working papers, references in the 2002 Human Development Report, and a presentation in the 2003 Annual Report of Transparency International. It has its own website where interested visitors can also fill out the survey on their own and check their scores for a particular country against those of previous visitors.[7]

The second phase, which is currently being prepared, involves a survey in 50 countries selected from all the regions of the world, including this time the OECD countries. As in the first phase, the work in each country will be organized and carried out by a Country Coordinator, whose responsibilities include ensuring that a list of respondents drawn from the ten elite categories is identified, interviews carried out, and a report made that provides a commentary on the survey and the issues that it raises, both methodological and substantive. In the first phase, this kind of commentary turned out to be very valuable in learning what works and what does not works, as well as what lies behind the answers that respondents give.

One of the lessons learned in that phase was the need for capacity building in survey research. While overall, the majority of the CCs did a good job collecting data, some had problems with sampling and management of the survey. With the planned improvements concerning sampling, sample size, and management in the second phase, a capacity building component has been included this time.

The second phase will exploit the Internet, allowing us to conduct training around the globe in a time saving, cost efficient manner. As part of the capacity-building exercise, a series of web courses will be designed to increase survey research knowledge in several specific areas, including design, sample management, and other study management skills. Each CC will be able to access the lesson online, working at his or her own pace. A survey research expert will be available online to answer questions. In addition, a chat room will be

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[7] www.unu.edu/p&g/wga/

available where the students – foremost our CCs – will be able to ask each other questions and discuss the material that are all learning. A test at the end of each section will allow the instructor to provide targeted feedback to each CC concerning areas of strength and weakness.

Training programs will focus on such issues as identifying a sampling frame, respondent selection, dealing with missing values, and managing a multi-mode study. Part of the training will concern the use of the online WGA study management modules. The initial round of training will be conducted on-line by the expert advisors associated with the WGA. The advisors will monitor the progress of each CC and work with individually with those having difficulty with the subject matter. A moderated chat-room will be available at various times to allow country coordinators to exchange ideas and have their questions answered. A second round will be organized after the field assessment has been completed.

In addition to using the Internet for capacity-building purposes, the second phase will include a workshop to which all country coordinators are invited for a face-to-face exchange of ideas and experiences with experts on metholodogy. Such a gathering will serve as an important learning opportunity and an incentive for doing a good job in the field. It will also enable us to bring in potential country coordinators from countries that may be part of a future round with a larger sample than the fifty included in the second phase.

Beyond the immediate scope of the survey and the challenges it raises, we intend during the second phase to take the first steps toward developing a global network and an electronic learning platform. This would bring together researchers, policy-makers, and practitioners to share information on governance issues. Given the opportunities that the Internet provides and the fresh approach to governance that the WGA offers, we expect this cost-effective way of knowledge sharing will become important. The main platform for this networking would be a website – www.governance-net.org - connected to the actual WGA project site. A regular email newsletter would be issued. We would like this site to become, over time, the most useful 'shop window' and source of information on governance issues, complementing – and contrasting - the more economics-driven approach to governance by staff at the World Bank.

The second phase expects to produce a main report on the findings of the survey in the fifty countries. It would be too pretentious at this time to entitle it the "World Governance Report", but our ambition is to continue expanding the number of countries in subsequent phases in order to make it truly global. In addition, we expect to issue specific country reports that would provide more specific information for interested stakeholders.

The Overseas Development Institute in London and the Dag Hammarskjold Foundation in Uppsala, Sweden, have jointly agreed to house the WGA. Both organizations have a respected name in governance and development circles and will serve the project well in its aim to broaden its outreach and circles of interested parties. The WGA will report to the Boards of the two organizations, but will also benefit from the advice provided by a special Council made up of others who have done work on governance as academics, analysts, or practitioners. Dr Shabbir Cheema of the Department of Economic and Social Affairs in the U.N. Secretariat in New York, formerly director of UNDP's Governance Program, has agreed to chair this council.

<div align="center">Conclusions</div>

Governance is too important an issue to be left only to international donor agencies to define and determine. Local stakeholders must be brought in to provide a complementary and contrasting perspective. Only then is governance likely to become a concept that can be debated among equals and lend itself to measurements that provide a fairer commentary and perspective on individual countries than the current scales used to measure governance do. The second phase of the WGA will start to provide the possible breakthrough in this new direction and hold the promise of generating data that go beyond the static and stigmatizing measures that dominate today. We expect that by 2005 there will be a comprehensive report on the state of governance in the world as represented by the fifty countries – drawn from all regions – included in the survey.