

International Development: Beyond the White Paper

Is a Good Government Agenda Practical? An Approach to Governance

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1. Why is governance important?

Governance is important because it impacts directly on the lives of poor people. Indeed, there is an array of evidence that suggests that poor people are less able to avoid the adverse consequences of poor governance and therefore bear a disproportionate share of the ill effects of systems and structures of governance that do not reflect their interests.

There are many striking examples that illustrate the very direct and powerful link from governance to poverty. Corruption is one obvious such example. The Public Affairs Centre in India recently published a comparative survey of corruption as experienced by slum dwellers (the urban poor) and general householders (the non-poor) in four Indian cities. This survey showed clearly the differential impact on the poor: in Bangalore, 33% of the poor paid bribes to access government services, while only 14% of the non-poor paid such bribes. In Calcutta, the figures were respectively 12% and 5%.

We can identify many channels through which the economic well-being of the poor are affected:

- **Direct channels:** There may be (a) an immediate impact through the generating of higher prices and fewer employment opportunities due to corruption. There is also the direct cost from corrupt officials seeking payments in the course of service delivery in the day to day lives of poor people, as in the Indian example to which I just referred. There may also be (b) the diversion of scarce budgetary resources into unproductive expenditures (inappropriate or low-priority investments that fulfil a different objective of the official or politician) and expenditures on debt accumulated through corrupt activities, or the loss of fiscal revenue.

- **Indirect channels:** There may be an indirect economic impact that constrains economic growth by significantly increasing uncertainty and unpredictability of costs and economic and political risk of prospective domestic and foreign investors. Thus, the income and employment generation that should benefit poor people is curtailed, as is the generation of resources for government programmes designed to eliminate poverty.

Equally important, we may see the governance to poverty linkage from a second perspective: that is, the non-economic perspective that contributes to well-being. Here, our concerns range from issues regarding the security of poor people - related to the need to provide freedom from threat and fear associated with the experience of being a victim of corrupt activity - to broad questions of people's representation within accountable political structures, as we see elites clinging to power in order to exploit corruption possibilities.

I dwell on this example to draw out the fundamental importance of governance issues to our primary interest in development: namely, improving the lives of the poorest.

The evidence in support of these linkages may be found in a variety of academic and less academic study. There is, for example, the evidence and research cited in last year's World Development Report. This reproduces in a very accessible form the findings that there is, indeed, a link between civil liberties and growth, and that there is a considerable degree of correlation between levels of corruption, the predictability of policy and the ability to establish property rights, on the one hand, and the willingness to invest, on the other hand. Their conclusions draw on a wide range of academic work that has now established these linkages, but it would also be easy to point to poverty assessments that have, from a totally different perspective, established the importance of a wide range of governance issues in the lives of poor people.

In the context of our primary Aim, there is therefore a very strong case, supported both by anecdotal and by more rigorous analytical work, that leads to the conclusion that there **should** be a concern to improve governance. Moreover, the primary responsibility for the pursuit of this concern should be the partner government: that is, those currently exercising control over the levers of power in our partner countries, irrespective of how they came to hold power and the legitimacy of their regimes.

There have, of course, been important steps in some countries towards the enhancement of governance and they should not be overlooked. Admittedly, progress has been patchy and many of the new structures and systems of governance remain highly fragile with varying degrees of commitment to the poor. In this context, we might legitimately ask the question why our partner governments have not themselves pursued a more vigorous approach to improving their national structures and systems of governance. If the answer lies in the weakness of their domestic capacities, rather than in any fundamental lack of enthusiasm or indifference to such issues, then - at one level - the future approach is a little easier. At least, the political will to develop these capacities can form a valuable foundation for their own efforts and the support that external parties may be able to offer. On the other hand, if the historical lack of progress is attributable to political indifference or obstructiveness, then the way ahead is somewhat more problematic. Immediately, we are driven to analyse the political structures in these countries and to understand, in particular, the interests and power of the key political, economic and social groupings and the manner in which power is allocated between these competing groups. Why and how might these elites come to regard improved governance as in their interest, or how might they come to represent other interests to a far greater extent? This immensely complex problem leads us to considering the role that we might or might not play in encouraging progress towards the adoption of a programme to improve governance.

Is a good governance agenda practical? Can it be founded in a programme of action, rather than being constrained to be a purely speculative or conceptual exercise? Certainly, if this question is posed to our partner governments, we would wish to hear a resounding yes: the need is abundantly clear and the problems of capacity and resources need to be addressed in the implementation of a defined and manageable strategic approach. Yes, a clear conceptual basis for the approach is necessary, but a

programme of action is both necessary and achievable.

If the question is posed to the external community, in general, and to DFID, in particular, we stimulate a series of profound conceptual questions that must first be addressed - that is true - and these must be suitably resolved. I am coming to some key concerns I have in this regard in a moment: for example, should **we** have an agenda; should we have an **agenda** at all? But, if we do have an agenda - and I think we should - it immediately fails in its objective if it remains conceptual and speculative: the need for its implementation is absolute.

2. Does the external community have a legitimate interest?

At its most fundamental level, we might argue that the legitimacy of the interest of the external community in the governance of any other country in the world is already established in the foundations of many international treaties and conventions. The Universal Declaration of Human Rights is, perhaps, the best example of an international acceptance of this legitimacy. Clearly, there are important boundaries beyond which legitimate interest and concern move into unacceptable interference in sovereign affairs - and these boundaries are, of course, far from universally agreed or well-defined - but, certainly in the governance field, and particularly the human rights field, external interest is broadly accepted.

From a very different perspective, once a partner government has explicitly decided to enter into a form of partnership with an external interest, and where the external party - as is the case with the Department for International Development - has established a programme of development assistance that entails the transfer of resources in some form, then the legitimacy of the external interest will take on a greater intensity for two reasons. Firstly, genuine partnership presumably implies a wish on the part of the external partner to provide support for development in a responsible manner, and this necessarily implies that we engage far more intensively in understanding the local context and constraints to development and in seeing how we might contribute alongside the government. The concept of a detached, somewhat aloof and uninformed external partner would appear meaningless to me.

Secondly, the legitimacy of the external interest is quite appropriately derived from the needs of the external partner. It would be somewhat paradoxical if external partners sought to support and encourage partner governments to establish systems of enhanced governance through mechanisms that overlooked the value of governance in their own countries. The Secretary of State for DFID is, for example, bound to account to Parliament in a formal sense and to groupings such as yourselves in a less formal manner, for the effectiveness and efficiency of the manner in which she deploys her scarce resources. In such transparent and accountable systems, the failure to address the legitimate concerns of her own UK constituencies would carry with it the obvious sanctions - particularly the questioning of resource allocations. We should, therefore, be under no illusions that the developmental concerns of the UK constituency play a key role in driving departmental concerns and - if we deem it important or necessary to respond to these pressures, and if partner countries wish us to remain engaged with them in supporting their activities - then we have both a necessary and legitimate interest in a potentially vast range of partner country affairs.

3. Why is governance different as a developmental concern?

Good governance has recently been defined as 'putting in place the mechanisms to define what constitutes the public interest and seeing that public interest is served despite everything else'. (This is the definition adopted by Anand Panyarachun, the former Prime Minister of Thailand in his recent paper, *The Tao of Development: Economic Management and Good Governance in Asia*, 17 February 1998.) In declaring that our overarching objective is the elimination of poverty, we - and, indeed, the majority of the external community - appear to presume that the 'public interest', indeed, defines poverty elimination as one of its primary concerns, too. Our experience from around the world suggests, however, that there are many places where poverty elimination is not self-evidently the prime concern of government. Certainly, our

focus is the interests of all the people - including, particularly, poor people - and how the 'public interest' reflects their interests. This point is worth pursuing a little.

Assuming that it is appropriate for the external community, in general, and for DFID, in particular, to have a governance concern, there will be critical differences between such an agenda and any parallel agendas that may be devised for economic or social policy. We need first to disaggregate the umbrella of 'governance' into two quite different dimensions:

- Governance, as in the fundamental systems of representation, and the mechanisms and processes for defining government strategies and policies. This necessarily encapsulates the mechanisms for the expression and exchange of interests and views, and for the effective and peaceful resolution of conflicting views in the decision-making process. It concerns the structures that underpin the legitimacy of all decision-making and policy: it is about the acquisitions and use of power. We might include the efficiency and integrity of the structures and processes themselves.
- Governance, as in the areas of strategy and policy that are decided through these structures and processes and which concern economic, social or political concerns that are typically defined as 'governance'. Here, for example, we might refer to security policy as an example, or to policy that determines the rule of law and order.

It is the first of these two elements of governance that will set the governance agenda apart: in other words, it is governance in the sense of those fundamental structures of political representation and decision-making, which underlie the determination of the whole range of strategic and policy thinking in government - the 'governance of the political processes' - that marks it apart. It is the most fundamental determinant of the government's approach to development in its broadest sense. It begs many questions. To the extent that the governance of the political processes underpins every other dimension of government thinking, should we elevate this element of governance as the highest priority? Is the achievement of high standards of governance of the political processes a prerequisite in order to discuss the ownership of any other area of government policy.

To put the question a different way - and in a way that reflects our prime concern for the poor and marginalised groupings in our developing partner countries - if the governance of the political process fails to capture the voice of the poor and marginalised, how much confidence do we have that the government's commitment to a broad-based development that seeks to address poverty with urgency and dynamism is really meaningful? How secure will be the commitment to other elements of governance, such as the respect of human rights?

4. Our approach to governance

Over the last couple of years, the Department has been working to develop an analytical tool in the field of governance paralleling that of the poverty assessments and the participatory poverty assessments that underlie - or should underlie - the developmental thinking of partner governments and the external community alike. These 'good governance assessments' have set out more methodically to analyse the nature of governance in a more systematic way in a number of different fields. It has the capacity to be an exceptionally valuable input in building up our knowledge in this field, but it has also brought sharply into focus in our minds the critical question of what standards and what values we adopt in undertaking the assessment. One approach might have been to adopt an absolute or standards-based approach to assessment where, for example, we adopted some relatively idealistic model of governance - no doubt looking to a greater or lesser extent to models in the developed world - as some kind of standard against which to draw comparisons and highlight weaknesses. It has become increasingly clear, however, that such an approach would be of relatively limited value. Rather, our interest has focused more on why institutions and institutional models do and do not work; why some models appear to work in some partner countries and not in others; where the power lies within the complex economic, social and political structures and how the power is deployed. In other words, our understanding of assessment goes well

beyond a rather simplistic institutional analysis to consider an array of interests and motivations that can provide insights into how institutional structures operate to yield particular forms of governance.

We complement this approach by considering governance from an entirely different direction and one solidly grounded in our overarching aim of the elimination of poverty. From this perspective, the challenge is somewhat different: we might ask what are the priorities for development in order to maximise the rate at which poverty is sustainably eliminated and, more specifically, in our present context, which elements of governance do we identify as having the greatest potential to contribute to these priorities. We might see governance as important to poor people from two perspectives: firstly, as a means to an end and, secondly, as an end in its own right. With regard to the former - that is, improved governance as a means to enhancements in well-being - our focus would be on those elements of governance that contribute to the creation of opportunities for poor people to establish sustainable livelihoods and to aspects of governance which provide poor people with the capacity to exploit these opportunities more effectively. These advances in the well-being of poor people might equally facilitate an enhancement in both economic and non-economic well-being, as in their sense of autonomy and dignity. Other elements of governance will be important as an end in their own right - we need to better understand the contribution that, for example, improved security and greater participation play in raising the well-being of poor people in a much more direct manner.

In this context, I am uncomfortable with the idea of us adopting a good governance agenda. The notion of our "agenda" conjures up a pre-determined set of things that we wish to achieve in a pre-determined order and probably on a pre-determined timescale and irrespective of the partner and context. This is certainly not what I have in mind or what I intend to talk about today. Rather, I wish to focus on this fundamental approach to governance and the frameworks that guide our thinking when we enter into dialogue with partner countries and seek to determine whether or not we have a contribution to make in support of our efforts to strengthen their structures of governance.

I prefer to think in terms of a set of underlying principles that guide our approach to governance, which might be summarised as follows:

- **Governance is central to establishing the legitimacy and sustainability of the development path.** To the extent that government strategic and policy thinking is derived from a political process, a prime concern must be the governance that underpins that process itself.
- **Poverty elimination requires the development of governance.** Strong structures of governance are a crucial contributory factor in addressing poverty in partner governments which should, therefore, explicitly address questions of governance as an integral and priority element of their poverty elimination strategies. Effective governance should not be regarded as an option for inclusion in government's legislative programmes, but as a priority for the effective implementation of other poverty-directed programmes.
- **Poor people should be the prime focus.** As noted above, the starting point in addressing governance problems and in prioritising concerns should be poor people themselves, with a focus on the substantive areas in which development would provide them with greatest benefit. The priority will be to support partner governments in addressing those shortcomings in governance that cause most distress to poor people and which most restrict their capacity to climb out of poverty. This may entail a concern for many different elements of governance, ranging from those most proximate to poor people - such as their personal security and the effectiveness of public sector service delivery - to governance concerns that are relatively distant from the poor at the more macro level, for example, where extreme forms of corruption may be considered a fundamental obstacle to the undertaking of investment and the generation of a dynamic economy.
- **The context in which we consider the contribution of governance to development must be understood.** If the external community, in general, and DFID, in particular, is to seek channels through which we might assist and contribute to the efforts of partner countries in developing

stronger systems of governance -and this is indeed what we should do - then it is fundamental that that contribution should be underpinned by a detailed knowledge and a contextual understanding. While the UK contributions should be secondary to those of partner governments and made in collaboration with the government and other donors, the contribution will need to be grounded in a sound local understanding, albeit one necessarily limited by the very fact of being an external observer.

- Our ideas and contributions to the strategic thinking of partner governments in the governance field should be made within the **context of the broader partnership approach** that we seek to adopt. Other speakers at your series of seminars have already talked in detail about the partnership approach and I will come back to this later from the specific perspective of governance.
- **Our concerns for governance should embrace not only the State and the range of public sector administrating bodies, but also civil society and particularly the corporate sector.** Our concern should be for the internal governance in each of these different areas of society and also for the role that each of these groupings can and should play in advancing the governance of other groupings in society. For example, we should be concerned for the governance within different non-governmental organisations in civil society and, also, with the role that such NGOs might play in bringing about strengthened governance in the State and corporate sectors.

5. Operationalising a pro-poor approach to governance

There are two quite different dimensions to our thinking at this point, as the previous section suggests: firstly, there are key questions of how to contribute to the enhancement of governance *per se* - what contributions to specific activities in which specific areas would be helpful? - and, secondly, there are more immediate questions that arise about the form of partnership that we feel able to pursue in the light of the prevailing structures of governance and the commitment of government to the development of governance. From this second question, a most important - and practical - issue arises: how do we respond in situations where we perceive the development of structures of governance to be ill-conceived or to be accorded too little priority in the thinking of partners - a not uncommon concern.

Overlaying both these questions is another key issue that we must address and that is the determination of the overall message that we wish to convey to the partner government. This is a more complex task reflecting the combined elements of our operational activities and our dialogue - whether conducted in the bilateral or multilateral context. Indeed, this message will be defined not merely by our activities in the governance area, but by the full range of our activities and dialogue. In a partnership context, the identification of a distinct and clear overall message and a coherent and precise articulation of that message is presumably of profound importance.

I want now to look briefly at three areas of governance that concern us: namely that of the partner government, of civil society and of the corporate sector.

6. Governance and the government

At this point, I am tempted to expand on the detailed elements of good governance from the perspective of what might be expected of the State. There is, however, a vast literature that is far better able to describe the nature and analyse the detail of each specific element. Certainly, I anticipate that an audience of this nature is quite familiar with the subject matter that concerns us in this area. For those who are less familiar, they could do much worse than to look at the Final Report of the DAC Working Group on Participatory Development and Good Governance, published in 1997, or even at the earlier 1995 Interim Report that is more detailed.

The prime elements that would concern us in such a discussion would be unsurprising:

- the role of participation in development
- the contribution of democratisation
- the contribution of the rule of law
- the management of corruption
- the upholding of human rights
- the contribution of more effective and efficient public sector management

and we might even add:

- the importance of curbing unproductive expenditures, as in their deployment for unjustified military expenditures.

I take it by assumption that each of these elements is central to the enhancement of governance and thus to the development strategy of each of our partner governments. I want, however, to focus on three particular priorities that we see in future years. where we feel something distinctive and, hopefully, valuable to contribute:

1. **The budgetary process.** Partnership approaches now place a high priority on the ability of States, not only to articulate strategy and policy, but also to implement it effectively. This is particularly true where we look to encourage partners to move away from uncoordinated, project-based approaches that only poorly pursue any strategic direction - being open to the whims and distortion that both partner governments and donors alike can bring - to systems in which aid might be more flexibly provided. We are particularly interested in the linkage from strategy and policy to the allocation of resources in accordance with the policy priorities and in way which enhances efficiency. The link between policy-making and coordination, medium-term expenditure planning and revenue-raising, on the one hand, and the allocation of scarce resources on the other, remains weak in many States. undermining the efficiency and effectiveness of the State's efforts.
2. **The role of the State in service delivery.** Following on from point 1 above, and its concern for the strategic/policy to the allocation of resources linkage, this concern focuses on the linkage from the allocation of resources to the implementation of particular programmes of service delivery. It considers the role of the State as the guarantor of the availability of services for the poor and socially excluded, together with the role of the State as the supplier of some services. Questions of the relative effectiveness of the State, non-governmental organisations and other private sector bodies are raised here, as are questions of the responsiveness of the State (raising questions about decentralisation, customer orientation and the like) and about the effectiveness and efficiency of public service (raising questions across the range of civil service reform issues and performance management).
3. **Security and access to justice.** One key issue for the poor and disadvantaged people in society is clearly their security from violence and threats both within and outwith the household, together with their access to justice. In the past, we have been heavily engaged in policing activities and now are looking at how to reorientate our focus towards those services that extend to poor communities, the alternative ways of resolving disputes and at penal reform.

Alongside these specific subject concerns, we are looking to contribute to a significant improvement in the collective role of the external community, in general, through the establishment of improved frameworks of support. Sector-wide approaches - that are particularly familiar in many social sectors - have the potential to play an important role in areas of governance, putting the onus on partner governments to develop coherent sectoral strategies and to take a lead in the implementation and assignment of resources in support of those strategies. They also put a clear obligation on the external community to work

collectively and collaboratively in support of government and to refrain from pursuing their individual whims outside that of the government's strategy. At present, sector approaches to governance are proceeding on a very broad basis and we may need to look at breaking down governance into more manageable units, such as judicial sector approaches.

This line of thinking ties up closely with the DAC approach to in-country coordination on participatory development and good governance with its similar focus on encouraging governments to develop an approach, after dialogue with both their own civil societies and with the external community. In particular, it was agreed in the follow-up to the Denver Summit that a conference of pilot countries in which the in-country coordination would be tested, would be convened in order to take forward this thinking. This conference is now planned to take place in Mali in May this year.

7. Governance and partnership with government

A fundamental element of real partnership must be openness and clarity in the dialogue. In DFID, we are moving increasingly towards a strategic planning process that incorporates explicitly an extensive process of consultation, not only with partner governments but with other key stakeholders and groupings that have an interest in our partnership activities. I would argue that, emerging from this consultation, we should take great care to define a clear message that encapsulates both the form of partnership that we would wish to develop and the obstacles and constraints to consolidating such a partnership. I want to dwell on this for a moment, because I see issues of governance as lying at the heart of our approach to partnership.

Inevitably there are a range of key qualifications that are undoubtedly relevant here and which need to be at the fore of our minds in formulating our approach to particular countries. I might mention, for example, the dangers of attempting to generalise across partner countries whose own circumstances show such immense diversity; secondly, we should avoid drawing up mechanistic rules for decision-making that overlook the subtlety and complexity of each of these contexts; thirdly, we should shy away from formal rankings or league tables that simplistically seek to capture the manner in which we differentiate between the commitment of different partner countries; fourthly, we should not be formulating messages and approaches in isolation from the rest of the external community, but seeking a collaborative and constructive multilateral approach; fifthly, we take care not to fall back into conditionality, with only a revamped vocabulary, that many see as having dogged past efforts at partnership.

From my perspective, these are all totally legitimate concerns which deserve real priority in our thinking. At the same time, within each individual context, we do need the clarity that I spoke of before, and we do need ideas that underpin the basic framework within which we take forward our practical approach to governance. In this spirit, I want to explore further the real problems of application.

What message are we trying to convey? In seeking to answer this question, it is not difficult to identify a spectrum that ranges from situations in which, at one extreme, the strategic and policy approach of the government reflects a clear commitment to the primary goals of development and we are broadly happy to reinforce and contribute to these efforts through partnership, and, at the other extreme, there are elements of the government's commitment to development that are quite unacceptable as a basis for partnership. In many ways, these two ends of the spectrum are relatively easy to identify. What is much more difficult is knowing how to differentiate in the middle where we may have varying degrees of concern about the government's current commitment to development and where we are seeking to reach a common understanding of the way forward in the context of partnership.

What guides our choice of message? It is important to take forward the thinking of the White Paper into a real working environment but, in this regard, the White Paper remains a very helpful starting point. (The thinking of Panel 14 of the White Paper is particularly pertinent in this regard.) Leaving aside the very important discussion about the commitment of partner countries to the principles of the agreed International Development Strategy and also leaving aside the commitment to appropriate forms of

economic and environmental management, I want to highlight several areas of governance that require both our detailed and analytical work, and an understanding and careful contextual assessment in order to guide our approach. I will identify four:

- the representativeness and responsiveness of government: that is, the governance of the political processes that I spoke of before
- the respect for human rights
- the transparency and integrity of government
- the effectiveness and efficiency of government.

This is necessarily a selective list and I do not wish to imply that other aspects of governance are of no importance. My intention, rather, is to suggest key areas in which we should focus our thinking in view of their critical role in defining the effectiveness of our relationship and our ability to be effective partners, and also their centrality to any programme that addresses poverty.

Each of these areas calls for a profound understanding of the complexity that characterises each individual situation. With this in mind, the challenge that we face is to operationalise the process by which we move from a responsible understanding towards consistent ways of formulating the message we wish to convey to our partners.

How should the message be signalled? It is too simplistic to see our response solely in terms of how to send the most striking, most clear message about governance alone. While one key objective is just that, our response needs equally to focus on several other objectives:

1. retaining primacy in our thinking of poor people, so that the response considers carefully the ramifications for them, in a developmental sense, and the impact on past achievements - be they in the field of capital investments or in the delivery of social programmes - with a view to protecting and building upon this progress
2. the need to find every opportunity to maintain active and constructive dialogue at all levels of government that explores the basis for a common working partnership - that is neither aggressive nor submissive in character;
3. that we show a willingness to contribute actively to the strengthening of identified strategic and policy weaknesses and to the building-up of institutional capacity that allows our partners to pursue more vigorously these issues
4. we work with the breadth of the external community to mobilise a consistent and coherent approach, and
5. particularly where there are difficulties in finding sufficient common ground, redefine an achievable strategy for restoring a more intensive understanding both in terms of the policy and institutional capacity requirements.

Of the many available channels in which messages may be sent, the most obvious and, indeed, the first step will be through the multilateral and bilateral dialogue channels. In one sense, pursuing the dialogue channel is easy, but it is important that the dialogue does not lurch towards blunt conditionality and away from partnership*. Where the message that we wish to convey is very encouraging and reflects a very significant degree of commonality, the positive dialogue can be reflected in more flexibility and a longer term approach to resource commitments in support of government-led initiatives. In these circumstances, there is unlikely to be conflict between the multiple objectives to which I referred above.

* Conditionality has typically implied that once the developing country government has undertaken to implement certain very

specific measures and actions - or, indeed, has already undertaken some of these - then external donors would contribute financial resources in support of their development effort. This approach has raised many important questions regarding the ownership of strategy and policy-making in that country, the degree to which measures have, in fact, been implemented in accord with prior agreements, the degree to which actions have been entrenched or are reversible, the nature of the underlying political consensus and will, and many other questions of this nature. The notion of inter-governmental partnership should encapsulate an understanding between the partner government and the UK Government based upon common objectives and priorities and the shared commitment to pursue a long-term programme of action. It is broad-based and more strategic in nature and not focused on highest specific measures: it is initiated - if anything - primarily by the partner government and in support of their expressions of political will, it is not a relationship dominated by creditor/donor, it seeks to be multi-faceted, with a strong institutional development and capacity-building element to promote the long-term sustainability of development progress.

Not surprisingly, our response grows increasingly complex as our concerns with the developmental approach of partner countries, in general, and with their approach to governance, in particular, increases. Here, we are challenged to find a delicate balance between the objectives above in all our multilateral and bilateral activities*. At the same time, the White paper clearly establishes the fact that 'we have limited resources (and therefore must) ... concentrate where we can achieve results' and '... the level of resources ... the length of commitment ... the flexibility in the use of resources ... (will be) related to ... the confidence we have in (partner governments) policies and actions'. In other words, there will be selectivity in the allocation of time and other resources across the developing world and, while in the first instance, we shall look to retain the substance of our existing partnerships, we shall need to reconsider the scale and nature of these partnerships if the commitment of partner governments continues to cause concern.

* At the extreme, and for completeness here, we might include the bilateral response of the UK Government as opposed to that of the UK Department for International Development. The former might, for example, include the more extreme act of imposing sanctions in some form on any specific country.

We can break down the nature of our bilateral response into three areas:

1. The strategy for new commitments: where should we place ourselves on the spectrum that lies between continuing with our previously planned pattern of commitments and freezing commitments?
2. the strategy for disbursements: how far do we adhere to previously determined patterns of disbursement?
3. a differentiated response: do we look to constrain our disbursements and commitments in certain specific ways that seek to uphold our multiple objectives in a more targeted manner?

In the case of the latter, should we differentiate between programme aid and project/sectoral assistance - bearing in mind that the budgetary implications of programme aid are often on the recurrent side of fiscal expenditure and may, therefore, directly impact on social expenditure programmes to just as great a degree as the former; should we maintain our support for sectors in which developmental progress has been particularly encouraging (as in relatively well advanced sector-wide approaches) or in the social sectors given their obvious direct relationship to the livelihoods of poor people? Do we devise ways that more elaborately attempt to tie in a government commitment to particular social sector expenditures, for example, directed towards the poor as a condition for our continuing commitments and disbursements in these sectors, while, at the same time, running down our support in other non-priority social sectors? Here, for example, we might envisage matching forms for finance whereby our support is contingent upon governments maintaining a particular share of their budgetary expenditures for specified social sector uses, or whereby we might even increase our commitments to particular key sectors - notwithstanding our other concerns regarding the government's developmental commitment - providing our increased resource flows were matched by at least an equal government flow to these sectors.

The key point, here, is that while we may wish to register a particular message, the overriding motivation is to maintain a constructive dialogue that seeks 'to find ways to stay engaged' rather than 'find reasons to

disengage' and to struggle with finding appropriate ways to achieve this.

I have two further points to add in this context: firstly, one complementary and necessary line of thinking is to explore other partners within partner countries when our immediate short-term relationships with governments become somewhat becalmed but where, nonetheless, we wish to remain engaged with the people and retain our commitment in support of those people. I shall return to this point shortly. Secondly, we should look for a consistency between our bilateral response and the multilateral response - it clearly makes little sense for our programme aid and, for example, a Bank/Fund ESAF/structural adjustment programme to be moving along different tracks and sending conflicting and confusing signals to government about our multi-sided partnerships.

8. Governance and civil society

The White Paper refers to an important set of circumstances 'under which a government partnership is impossible, because the government concerned is not committed to the elimination of poverty, is not pursuing sound economic policies or is embroiled in conflict ... We will help ... through alternative channels. These will include the institutions of civil society, voluntary agencies and local government'. In the coming months and years, these rather cryptic references to a strategic approach encompassing civil society will need considerable elaboration. In the field of governance, we should be careful not to see the development of partnerships with government and the development of partnerships with civil societies as somehow mutually exclusive or, indeed, little related: arguably, the development of the various dimensions of governance referred to above is best approached through a strategy that incorporates both a top-down dimension - that is, through working with central governments and institutions - and a bottom-up dimension - that is, working with more grass-roots organisations within civil society. I will return to this in a moment. The key point is that, whatever the state of the government partnership, we look to explore the multiple channels that exist for the achievement of those priorities that we have determined. Certainly, the emphasis between the different forms of partnership will vary according to the commitment of the government and, at times, the balancing of these different partnerships may move more sharply than at other times, but they are fundamentally integral parts of the same approach.

What is particularly important, though, is to see part of our strategic approach as one in which we attempt to draw together the work of partner governments and civil societies. We should be deeply uneasy about working with civil society if it is somehow to the exclusion of government or as a substitute for a government or it acts to displace government. At times, we may need to live with this unease while we work to build government partnerships, but, as a principle, we should look to civil society in two key principal respects:

- as a means of strengthening government: particularly through the role of providing interest groups that can effectively influence the formulation of policy, that can challenge and exert pressure on government to uphold standards of policy implementation, and that can act as one of several key checks and balances crucial to the consolidation of strong government itself
- as a complement to government, sometimes performing roles on behalf of government or performing roles that it is better suited to undertake than government, and the like.

Within civil society, NGOs clearly play an important role and, around the world, there are the obvious striking examples of how they contribute, particularly to service delivery and in support of Government service providers that are often highly constrained in a capacity and resource sense. From one perspective, this is highly desirable and many developing countries would be significantly worse off without them, but it does also raise the question of governance within civil society. To what extent are NGOs accountable and to whom? Are they transparent and displaying integrity of the same order that we demand of Government? If governance is about establishing mechanisms that are able to reflect the public interest, then it is as relevant to bodies in civil society as it is to Government.

The concept of governance is defined by the Development Assistance Committee of the OECD and also by the World Bank to 'denote the use of political authority and exercise of control in a society in relation to the management of its resources for social and economic development. This broad role encompasses the role of public authorities in both establishing the enabling environment for economic development and also determining the distribution of benefits, as well as the nature of the relationship between the ruler and the ruled' (Participatory Development and Good Governance, OECD 1995). This is a rather State-centred perspective, but it does capture the responsibility of the State in working with civil society to ensure that resource allocation and distributional issues - as in the provision of services - are managed in the interest of the people as a whole.

In our approach to civil society, the promotion of good governance thus necessitates the careful assessment of how the immense contribution of civil societies - and NGOs, in particular - needs to be integrated with that of the State. Let me come very close to home: when we work with the State and with NGOs, would our strategic thinking be helped by a clearer view of where we feel the longer term inter-relationship between our two partners might lie. In some instances, we may feel that there are difficulties in the short-term in advancing partnership with the State, but, presumably, in designing partnerships with NGOs in the immediate term, we should have an eye to where we wish the inter-relationship to move. When we are concerned with what we might regard as the basic needs - to use old-speak for a moment - of poor people, as in the provision of the fundamental educational, health, water services for example, we should be strong advocates of the need for coherence and a strategic approach to service delivery by the State in close collaboration with the bodies of civil society in meeting the needs of the poor. Ad hoc, incoherent and uncollaborative development in this field will not represent governance of a standard that we should support. In education, for example, how might we encourage the two partners to work towards a more coherent and integrated strategic and policy approach that encompasses all the people in an equitable manner; how do we see their complementary roles evolving, and with what respective responsibilities?

There is a second sense in which civil society is - or should be - a central player in the drive to improve governance: namely, in its capacity to provide the skills and institutions to enhance the conduct of government and, equally important, to monitor the manner in which government is conducted. I offer some examples that are particularly interesting to DFID as they are in important fields in which we feel we have a modest contribution to make: that is, in assisting civil society to develop its own institutions - Chambers of Commerce, etc - and particularly to assist in the development of professional associations - including the legal, accounting, and medical professions. The fundamental skills of these professional associations and their roles as guardians and watchdogs of professional standards are vital to the governance of our partners. Moreover, often for obvious historical reasons, there is much in common between these professional bodies and their English counterparts, thus giving the UK a degree of comparative advantage to facilitate this form of development. In addition, training for the media and the promotion of responsibility and openness in reporting standards is a critical area in the pursuit of high governance standards. We tend to associate a free and strong media with providing specific benefits - exposing a particular dramatic case of corruption or an unacceptable abuse of human rights, all of which is immensely valuable - but, in many partner countries, it is often the contribution in a more nebulous, but nonetheless vital, sense to the consolidation of fragile democratic development - through the creation of an overall climate of openness and the acceptability of the freedom to express opinions without fear - that is arguably ultimately more critical.

I could offer another example of the importance of supporting the professional elements within civil society: that of the legal profession. Again, the foundations of many partners' legal systems lie within the English law and suggests the possibility of our working in these areas. In view of the pivotal importance of the judicial structures in almost all areas of governance, this must be a priority. In many instances, we see that the serious weaknesses in the legal system - both in the domains of the available legislative powers and in law enforcement - frequently undermine efforts to develop better governance in the field of corruption, human rights, etc. There is, in principle, a strong case for regarding judicial reform as the pre-requisite for progress in many areas of governance: when both the necessary legislation that establishes the fundamental structures and climate for high standards of governance and the ultimate

sanction on those flouting these standards are absent, then the benefits from Anti-corruption Commissions and Human Rights Commissions and the like, that are largely seeking to identify and publicise abuses, will be severely limited - they may even be regarded with open contempt by those who remain effectively immune.

There is a third sense in which many argue that civil society - and especially, NGOs - is central to the enhancement of governance: that is, in the organising and mobilising of the poor. This line of thought sees the focus on governance in central Government - and to a lesser extent, in local government - as necessary but insufficient to achieve competence and integrity in public life, and considers the more complex agenda that encompasses efforts to catalyse society to reorient government behaviour as equally fundamental.

There are many issues here that we can only summarily address. Firstly, this approach must be correct in principle: an approach to governance that looks only to the highest level for change, especially where this level is dominated by unrepresentative elites with differing degrees of legitimacy attached to their regimes, will often be obstructed or become becalmed. The essence of governance, with its fundamental focus on the public interest - that is, the will of the people themselves - implies that we should look to facilitate every channel that allows this voice to be heard, whether within a more or less democratic form of political structure. Secondly, we - meaning the international community in all its different manifestations - should differentiate with extreme care between the capacity of civil society and the capacity of political society. In this context, while we might have an approach to governance that is highly pluralistic and democratic in its objectives, there is no role for the external community to play in political mobilisation or in collaboration with NGOs that cross the ill-defined frontier between civil and political society. We should not be naive by failing to appreciate that many governance issues do, in the real world, have a highly political dimension to them, because the context in which different forms of governance are promoted by differing groupings is typically highly politicised. There is a third issue here, too: we should be very modest in considering the extent to which we can contribute to areas of society that are inherently complex and highly sensitive and where understanding is, not surprisingly, often poor.

However, with these caveats, there is no doubt that an approach to improving governance can look to catalyse and facilitate the development of the basic elements that allow societies more effectively to make their voice heard. Indeed, a further particular area of interest that we have - in addition to the three more specific to central government that I mentioned earlier - concerns political empowerment and the peaceful resolution of disputes. This is prompted by the concern that social systems based on clientelist relationships exclude the poor from direct access to State services and the political processes. We need to understand better how we might equip individuals to participate more in both of these areas and how we might support steps to provide them with better access to information. The promotion of education and learning are fundamental to both of these aspects. More specifically, we can and do support thematically-based NGOs that we - and the consensus of the international community of developed and developing countries - might see as pursuing priority elements of every political agenda: as, for example, in the monitoring of some particular human right (torture, arbitrary treatment under the law ...) and corruption.

9. Governance and the corporate sector

Historically, the concern for governance issues and the interest in how to improve governance has focused heavily, firstly, on government and, to a lesser extent, on civil society and their contribution to governance. Far less attention has been accorded to corporate governance.

Among the multitude of explanations that have been promulgated within recent months for the East Asian crisis, I find the underlying structural questions by far the most important in terms of the contribution that the crisis might make to our longer term thinking about development. Indeed, I would identify three distinct forms of governance to which the crisis draws attention: governance in the State political and administrative apparatus, corporate governance and what I would call inter-agency governance. State governance - and particularly the transparency and accountability dimensions - is familiar enough, albeit an area largely overlooked in East Asia in the presence of rapid growth and rapid poverty reduction.

Corporate governance, including that within both the financial and non-financial sectors, has traditionally received a great deal less attention. Similarly, the complex inter-agency relationships - between enterprises, especially between financial and non-financial enterprises, and between enterprises and different public agencies - received relatively little priority. They did, however, clearly generate conflicts of interest on a major scale and introduce decision-making processes and motivations that were far removed from any commercial basis or from upholding the interests and preferences of the majority of stakeholders. Moreover, we might point to institutional structures in which the prevailing forms of governance had failed to adapt to the globalising international environment in which global markets now appear to impose a degree of conformity across the globe in terms of economic and financial structure and economic and financial behaviour, and where the costs of divergence in this regard might be extremely high. Some external observers have argued that efforts by western institutions - including the global markets - to impose western models of governance in economic and financial behaviour throughout the developing world have failed to appreciate the value of different models of development and the differing needs of different developing contexts. States may, of course, decide that they wish to pursue a more isolated form of development, protected in some sense from the trading and capital environments of the world. A majority, however, have tended to view the potential benefits of the efficiency gains of more competitive trade and of the greater availability of external private capital as sufficient to persuade them to pursue a more open form of economic development. In which case, there has apparently been little choice but to accept the reality: that is, the model of "acceptable" governance and of economic and financial behaviour that dominates international investor thinking.

This line of argument does not, however, imply a minimalist role for the State: indeed, it points to the need for a well-developed strategic approach to corporate governance and, particularly, to an active regulatory role which focuses both on the protection of depositors and on systemic stability. Central to this role would be the concern for the upholding of standards of governance both corporate and inter-agency governance.

I make reference to the East Asian crisis and to the tentative lessons that we might draw from it in the governance field because it arguably highlights an area of the governance approach that both our partner governments and ourselves have under-emphasised in the past. At this time, we, in common with much of the external community, are relatively ill-equipped to support our partners in strengthening this area of development and reducing the potential for de-stabilising reversals in progress to which the poor are particularly vulnerable. On the other hand, this is an area in which the comparative advantage of the United Kingdom might be considered to be quite significant, in view of the expertise residing in the corporate and financial sectors of the country. Certainly, we need to address the challenge of whether one element of our governance agenda should embrace ways of mobilising the UK expertise in support of partner countries, if they perceive a role for such external collaboration.

10. Conclusion

By way of conclusion, I would offer the following summary thoughts:

- Governance is central to the aim of poverty elimination and, where partner countries wish us to contribute to their efforts in pursuing development, we have a legitimate and necessary interest to promote improved governance.
- Our approach should not be to formulate dogmatic solutions and mechanistic rules, focusing on the need for specific standards in achievements, but rather look to commitment and to meaningful steps towards better governance. This paper, therefore, sets out to establish some of the underlying principles and lines of thinking that might facilitate our role in contributing.
- Governance raises two prime questions: firstly, how might we contribute through specific activities in support of improved governance, either through top-down or bottom-up approaches; and secondly, how does the commitment of partner governments to governance bear on our partnership?

- We shall always seek to further partnership through constructive dialogue and through more tangible development assistance. Poor governance may, however, force us to take tough decisions about the selectivity which we adopt in our resource and time allocations.
 - Where governments show little commitment to poverty and partnerships, we shall need to send very clear messages that convey a strong and unequivocal signal and, at the same time, look to ways in which we can nonetheless protect the interests of poor people in those countries.
 - We should not confine our interest to governance in government, but should look to how civil society can contribute to promoting governance in government, and, indeed, look to civil societies' own systems of governance. Neither should we forget the importance of good governance in the corporate sector, as the recent East Asian crisis makes abundantly clear.
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