

# Introduction to Social Accountability Course

## Module 2: The Governance Framework

### Topic 1: The Governance Framework and Governance Reform

#### Slide 1: Title

#### Slide 2: Introduction

In this presentation, we will explore the concept of governance, the various actors in a governance system, and the importance of good governance. We will also cover the “how” of governance reform, looking at the many ways in which countries can pursue improved governance. Finally, we will briefly survey how to measure and evaluate changes in governance over time.

#### Slide 3: What is Governance?

What is governance? Governance, first and foremost, is a “how,” not a “what.” It can be defined as the means by which the state acquires and exercises its authority for providing for citizens. One important part of this is the provision public goods such as infrastructure, health services, and education. However, governance is a set of processes. One set of governance processes, for example, could include the shaping of a national development strategy through evidence-based analysis, using inclusive and participatory processes. A contrasting set of governance processes would fail to include public participation and, for example, would allow for ministries to cut expenditures without consultation or to take action unilaterally and not be held accountable. At its most basic, the outputs of governance processes and systems are at the core of what affects citizens on a daily basis—roads being built and repaired, health services being delivered properly, and public school teachers getting the supplies they need. While governance systems vary greatly, they all tend to have three parts: how governments make things happen, how check and balance institutions hold government accountable, and how citizens are engaged as an active part of the governance process.

#### Slide 4: Good Governance – Different Definitions

Good governance, or the ideal way in which the state provides for its citizens and is accountable to them, is not a universal concept. Rather, the definition of good governance is contextual, and depends upon a nation’s particular culture, values, history, norms and institutions, or “rules of the game.” For example, in the East Asia Pacific region, many cultures place a high value on consensus-building, group orientation, and trust, and expect their governments to use these values as guiding principles. In Latin America, public opinion surveys reveal that Latin Americans place high value on an egalitarian distribution of income, with negative perceptions of income inequality leading to higher levels of dissatisfaction with democracy. In the United States, a high cultural value has historically been placed on individualism and a “laissez-faire” government that allows for unfettered free-market capitalism and its attending consequences on income distribution. While these statements are certainly broad generalizations, they underscore the point that there is no one single definition of “good governance.” Rather, the “ideal” state of governance depends heavily upon the cultural conceptions of the citizens it serves.

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#### Slide 5: Public Sector Governance System

Just as each nation's definition of what constitutes "good governance" is unique, governance systems are also unique. The specific actors and their respective roles in the governance system vary greatly based on the specific context in question. Nevertheless, there are some basic commonalities between the actors in most governance systems. These actors fall into five broad categories: political actors and institutions, the central government executive branch, formal oversight institutions outside the executive including the legislative and judicial branches of government, sub-national governments and local communities, and civil society, media, and the private sector. Traditional actors such as village chiefs, village elders, or religious leaders can also be important figures in some governance systems. Also, it is also important to note that there is often a significant difference between formal, or legal, governance structures and provisions, and the way that governance occurs in practice and through informal mechanisms.

#### Slide 6: Governance System Outcomes

This diagram displays an "idealized" depiction of the relationship between some of the various actors in a governance system that we've just discussed, placing them together in a coherent governance framework. The "implementing" machinery, or public sector management, is situated at the center of the diagram. The boxes surrounding the center represent stakeholder groups that, when working properly, serve to hold the public sector accountable, or to "keep it honest." These types of well-functioning accountability relationships help to ensure that public policy supports development, that public services are delivered efficiently and effectively, and that corruption is held in check. The outcomes of this system, which include services, regulation, and corruption, critically depend upon how government and the overall governance system works within the circle.

#### Slide 7: Governance System Outcomes

The last diagram we just saw was the "desired state" of governance, with strong accountability relationships present and functioning between the various actors. But what happens when such a state of good governance is *not* present? With weak governance, policy can be captured by the state, service provision and regulation can be distorted, and corruption can run rampant. This diagram shows a governance system that, in the absence of accountability relationships, is characterized by state capture, administrative corruption, patronage and nepotism. In a system like this, it is likely that governance outcomes will include poor or nonexistent access to public services, corruption, high inequality, and low growth rates. This diagram shows us that good governance is important in and of itself – increasing people's overall well-being when it works well, and lowering it when it works poorly.

#### Slide 8: New Governance Paradigm

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Previous notions of governance were focused almost exclusively on state institutions, which were often run by elites. These previous reform efforts sought to reform governance systems using “top-down” reforms. For example, reform initiatives included civil service reform and the reform of formal oversight institutions. The new governance paradigm has shifted from a more narrow view of “governance” as the supply-side official governing institutions, to a broader view of “governance” as everyone in the system including informal norms and processes and a focus on the demand-side of governance. In this view, citizens take a prominent role in securing and sustaining more transparent, accountable, and effective governments. As such, a host of new and innovative reforms begin from the “bottom up” – securing free and independent media, involving citizen evaluations of service delivery, and many others. Outcomes from a system in which citizens are active and effective in demanding accountability have improved outcomes in terms of services and governance.

#### **Slide 9: Why is Good Governance Important?**

Why is good governance so important? One argument for this is a moral one. Citizens are entitled to a transparent and accountable system that can better provide for their freedom and their social and economic advancement. Next, theorists such as Amartya Sen examine the importance of good governance from a utilitarian perspective. Namely, he argues that people are better off and their well-being is higher when they are treated properly by their governments – something that we saw earlier in this presentation when we examined the ranges of outcomes of various governance systems. People are happier when there is good governance – when they have information about what government does, when they have a say in it, when governments follow the rules they set up for themselves, and when they are not corrupt. Lastly, good governance matters for reasons of efficiency and effectiveness, or for achieving desirable growth and sector outcomes in areas such as education and health. Douglass North’s work on institutions and institutional change showed us that institutions can and do affect both a country’s short-term economic performance and its long-term development prospects. Moreover, a growing base of empirical evidence shows that public sector institutions do indeed matter in terms of economic growth, private sector development, poverty reduction, reduced inequality, and other social and economic development outcomes. For all of these reasons, good governance must be actively pursued over a sustained period of time, and can be continuously improved even in countries where development goals are being met.

#### **Slide 10: Why is Good Governance Important?**

Good governance leads to positive economic and social outcomes – so it only follows that poor governance leads to negative outcomes. As we see in this figure, empirical evidence shows that high and rising corruption increases income inequality and poverty at a fairly sizeable rate. An increase of one standard deviation in corruption increases the Gini coefficient of income inequality by about 11 points. This shows us that when countries pursue policies that succeed in reducing corruption, it is very

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likely that income inequality and poverty will naturally lessen as well. Lastly, the quality of public sector governance has a definite impact on the success of private sector development and economic growth. This bar graph shows the results of a World Bank study that measured and compared regulatory quality in 9 different regions around the world. Research using data from this ongoing study and others has shown that the ability of the government to provide sound policies and regulations that enable and promote private sector development leads to increased investment and pro-poor economic growth.

#### Slide 11: The “How” of Governance Reform

Now that we’ve covered the “why,” let’s move on to the “how” of governance reform. It’s clear now that good governance is important and that it must be proactively pursued. Governance reformers can focus on economic policy, financial controls, civil society and media, legal reform, civil service reform, and a host of other options. It can be as broad as legal and judicial reform, or as narrow as an initiative to improve governance in the education sector by examining and reducing teacher absenteeism in public schools. Reforms can also be short-term, resolving a pressing governance issue, or longer-term, creating participatory processes, strengthening transparency and accountability, and changing the overall governance environment.

But which institutions or actors in the governance system are “triggers” or “levers for change” in terms of governance reform? Where should we begin?

#### Slide 12: Entry Points and Sequencing

The key answer here is that there is no “one-size-fits-all” option; no simple blueprint for reform. Just as the definition of “good governance” varies by context, so does what works. Different countries and localities follow different paths to better governance, depending upon unique political, social, cultural, and economic circumstances as well as the specific issue at hand. An analysis of the specific context helps determine what the best approach is. However, there are some general rules that help establish what will work and what will not. One way to begin can be to look at existing “binding constraints,” or the greatest existing governance weaknesses and most potent obstacles to reform. At other times, “windows of opportunities” such as political or economic crisis, a shift in public opinion, or a change in political control can present themselves and allow for governance reform. Lastly, entry points can also be found in building up the basis for good governance, both on the supply side, through initiatives such as capacity-building and public financial management reform, and also on the demand side by enhancing public access to data and information.

#### Slide 13: A Country-Based Approach

As this figure shows, different countries follow different trajectories in governance reforms. The sequencing of reforms is driven by political forces and a careful analysis of where the most feasible and effective entry points are located. A country’s particular governance strengths and weaknesses must be

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considered as well. In some countries, it is most effective to begin with reforms of bureaucracy, public administration, and the front lines of services delivery – as seen in Trajectory 1. This was the case in Ghana in the early 1980s, when the developmentally-oriented President Rawlings took power. Early initiatives focused on strengthening bureaucratic activity. Later on, he turned his attention to check and balance institutions and increasing transparency, participation, and state accountability.

By contrast, in Trajectory 2, countries have an initial level of a relatively stronger bureaucracy. As such, reform entry points are more often found in efforts that make the governance system more pluralistic, and strengthening the quality of checks and balances across the various actors in the system. Examples of this trajectory in Africa include democratic transitions to political pluralism in countries such as Benin, Kenya, Malawi, Nigeria, and Zambia.

Finally, Trajectory 3 shows a country where the government is failed or collapsed, and where reforms must focus concurrently on both strengthening the bureaucracy *and* strengthening checks and balances institutions from the onset. In countries such as Bosnia and Herzegovina and Mozambique, a newly established level of security allowed for the pursuit of reforms in a balanced way.

#### **Slide 14: Different Entry Points & Development Strategies**

As we just saw, trajectories for reform and the sequencing of specific reforms depend upon country-specific realities. In practice, we have seen a wide range of trajectories around the globe. Some countries, such as South Korea and Taiwan, have embarked upon state-building for economic growth before democracy and social mobilization. However, this strategy can be risky in that many authoritarian rulers have stayed corrupt, ruling over predatory states against a backdrop of economic growth. In other cases, authoritarian leaders who pursue development policies early on do not stick to them. For other countries such as Brazil, Colombia, and Peru, increasing the quality of democracy can be an entry point to rule of law and down the road, to improving economic performance. As in the case of Ukraine's Orange Revolution, some countries use social mobilization as an entry point in cases that are "blocked" with respect to governance reform. The immediate goals of this type of reform are to increase competitiveness and accountability – but it can be destabilizing where institutions are weak. Another model, followed in Bangladesh, for example, is one of "just enough" governance for incremental growth acceleration, with stronger institutional reform being pursued once average income levels and economic growth targets have been achieved. These are just some examples of the ways in which countries around the world have pursued reform. There is no limit to the range of options and the particular sequencing of reform – as each country and context is unique.

#### **Slide 15: Measuring and Evaluating Reform**

It is important to measure and evaluate governance reform in order to track progress, perform cross-country and regional comparisons, and to spark "healthy" regional and global competition. Measuring

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governance also allows us to “unpack” governance systems and pinpoint specific areas of weakness. But governance outcomes can be challenging to measure – as it’s a challenge even to decide where to begin in this sometimes-daunting task. Do we measure formal rules, or the practical application of these rules? Should we use objective data, or focus on perception-based indices? And are absolute or relative rankings preferable? Whereas some governance indicators are specific, individual indicators, sometimes aggregate governance indices can be more useful. And should we look at intermediate indicators focusing on specific actors, such as government or the private sector, or indicators of long-term outcomes, such as level of democracy and freedom? In all cases, it is key to know exactly what the indicator tells you and what it does not. In this way, you will be able to use it appropriately and effectively.

#### **Slide 16: Measuring and Evaluating Reform**

The list here shows a mere sample of the host of governance indicators that have been developed over the years. They range from highly specific, sectoral indicators to broader and less tangible outcome indicators of elements such as freedom and corruption. Whereas some focus on supply-side indicators, such as the quality of public financial management, others measure the demand-side, or civil society participation and activity. Other indicators, such as the Open Budget Index shown here and developed by the International Budget Partnership, hone in on specific elements of governance such as budget transparency. Other indicators measure the performance of a specific agency or sector, or the quality of a specific public service. Data can be drawn from both objective and subjective data.

An old adage says that “we measure what matters, and what matters is measured.” It is clear that governance matters deeply to a country’s development and the livelihoods of its citizens. As such, despite the challenges and nuances involved in measuring it, we must continue do so while improving and refining existing indicators and measures of success.

#### **Slide 17: Review**

In this presentation, we began by exploring the concept of governance, the contextually-dependent definitions of good governance, and the varying participants in a governance system. This includes state, non-state, and traditional actors. Next, we explored the many reasons for which good governance is important – as a moral argument, for economic growth, for reducing poverty and inequality, and for fostering private sector development. We then looked at the difficult art of governance reform – the ever-expanding menu of options and the different trajectories for reform. We also surveyed some examples of the different routes that countries have followed in pursuing improved governance. Lastly, we learned about some of the many indicators used to measure and evaluate governance and some of the challenges involved in doing so.

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