

**COMMITMENT TO GOOD GOVERNANCE, DEVELOPMENT,
AND POVERTY REDUCTION:
METHODOLOGICAL ISSUES IN THE EVALUATION
OF PROGRESS AT NATIONAL AND LOCAL LEVELS**

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by

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In the past decade and a half, the notion of “good governance” as a necessary condition, or at very least, as providing an enabling environment, for sustainable development and poverty reduction has gained widespread currency, especially among international organizations and first world nations. Indeed, good governance has become a conditionality for development assistance from donor agencies. Good governance is specified as one of the targets of the Millennium Development Goals (MDGs), an agenda for reducing poverty and improving lives that world leaders agreed on at the Millennium Summit in September 2000. Now, at the Sixth Session of the Committee on Development Policy (CDP), commitment to good governance and how to evaluate progress appears as one of the themes on the discussion agenda.

This paper is intended as a background paper for the CDP’s Sixth Session. The first part reviews the concept of good governance as it has evolved over the past 15 years. Key defining properties of the concept of good governance are presented. The second part of the paper examines current efforts to measure governance. As might be expected, different working definitions have led to specification of different sets of indicators and indices of governance. The third part briefly reviews studies on governance that examine the relationship between good governance and other desired end states, such as poverty alleviation and policy performance. The paper concludes by summarizing key issues in the evaluation of good governance. It is hoped that they might serve as a basis for discussions at the CDP meeting, leading to a set of recommendations on good governance in the context of the MDGs.

THE CONCEPT OF GOOD GOVERNANCE

Governance has been variously defined as “the management of society by the people” (Albrow, 2001, p. 151), and, “the exercise of authority or control to manage a country’s affairs and resources” (Schneider, 1999, p.7). A synthesis of current definitions provided by donor organizations such as the World Bank, the OECD Development Assistance Committee (DAC), the United Nations Development Program (UNDP), international development agencies and multilateral donors yields a more complex concept of governance.

Governance is a complex system of interactions among structures, traditions, functions (responsibilities), and processes (practices) characterized by three key values of accountability, transparency and participation.
(USAID, 2002, p. 2)

“Good governance” has also been described elsewhere as the striving for

rule of law, transparency, responsiveness, participation, equity, effectiveness and efficiency, accountability, and strategic vision in the exercise of political, economic, and administrative authority.

(UNDP, 2002, p. 2)

Martin Doornbos notes, however, that while it is striking how quickly governance became a buzzword in the 1990s, “there has hardly been a consensus as to its core meaning, and less and less of a common idea as to how it could be applied more concretely.” (2003,

p. 4) The term does not possess a standard meaning. Nor has its meaning remained constant in the decade or so of its being accorded a central place in donor frameworks for development.

The lack of specificity in the meaning of the term “governance” becomes apparent when we examine its evolution. The concept achieved prominence in donor discourse around 1990, after the end of the cold war. Governance was conceived broadly as “the exercise of authority and control in a society in relation to the management of its resources for social and economic development” (Schneider, 1999, p.7). International donor agencies, the World Bank in particular, operating within the boundaries delineated by their statutes, adopted an essentially apolitical conception of governance (Martinussen, 1998). This orientation helps to explain the focus of these institutions on the improvement of the quality of Southern (recipient country) public sector management, better service delivery, rule of law, and elimination of corruption, together with compliance with donor policies, e.g. reduction of excessive military expenditures.¹

By the mid-1990s, international donor (notably UNDP and the OECD) conceptions of good governance had expanded to include the notions of transparency, accountability, and participation. For example, the Ad Hoc Working Group on Participatory Development and Good Governance set up in 1993 by the Development Assistance Committee (DAC) of the OECD stated as its first key conclusion, *Democratisation and Good Governance are central to the achievement of the development goals for the 21st century (Final Report, 1997)*. Major elements of good governance, as identified by DAC members, included: the rule of law; strengthening public sector management and transparency/accountability by improving accounting practices and budgeting and public expenditure management; and combating corruption. The framework proposed by the Ad Hoc Working Group was subsequently endorsed by the 1997 DAC High Level Meeting.

By 2000, more elements were added to the conception of good governance. The Statement issued by the 2000 DAC High Level Meeting took note that, “Good governance requires a broad approach to partnership extending beyond government and parliaments to include civil society and the private sector.” (Para. 18) Moreover, in addition to the requirements of transparency and accountability, a new dimension was stipulated, namely, predictability. This last element was introduced in light of the financial crises in the latter part of the 1990s, which led to a call for improvements in corporate governance and stable financial frameworks.

No doubt, in future, new elements will be added (and old ones dropped?) from the definition of good governance. Given current conceptions, however, we ask, What can be said to be the key defining properties of the concept of good governance? At least three major features can be identified.

¹ There are two distinct streams of discourse on good governance: donor agency and academic. Academic discourse has dealt mainly with the way in which power and authority relations are structured in different contexts, whereas donor-directed and policy-oriented governance discourse has focused more on state structures designed to ensure accountability, due processes of law, and related safeguards. Academic discourse is directed toward better understanding of institutional linkages between the state and civil society; donor-driven discourse is oriented toward enhancing policy effectiveness. This paper addresses good governance from the donor perspective.

First, good governance is predicated upon mutually supportive and cooperative relationships between government, civil society and the private sector. The nature of relationships among these three groups of actors, and the need to strengthen viable mechanisms to facilitate interactions, assume critical importance.

Second, good governance is defined as possession of all, or some combination of, the following elements: participation, transparency of decision-making, accountability, the rule of law, predictability. Democratic practices, civil liberties, and access to information are sometimes added to the list. Donor assistance to strengthen governance in developing countries has focused on empowerment and capacity-building with the objective of enhancing the preceding elements.

Third, good governance is normative in conception. The values that provide the underpinning for governance are the values postulated by international donor institutions.

This last point deserves consideration. Doornbos states forthrightly, “If donor-conceptualized standards of good governance were more fully elaborated and insisted upon, it would almost certainly imply an insistence that Western-derived standards of conduct be adopted in non-Western politico-cultural contexts.” (2003, p. 8) Moreover, scholars have raised the problem of inherent contradictions among the elements. Von Benda-Beckmann observes that not only do efforts to promote good governance often have the opposite effect, but “what in one respect (e.g. economic growth) is good governance, is clearly bad governance in other respects, such as labor conditions, democratic content of government, and civil liberties.” (1994, p. 63) He cites the Asian “little tigers” as an example.

Figure 1 presents a schema for the dimensions of good governance as conceived by the World Bank, UNDP, OSCE, USAID, and other donor agencies.

As shown in Figure 1, good governance consists of two major dimensions: political and economic. The political dimension can be broken down into four key components: government legitimacy; government accountability; government competence; and rule of law (human rights). The economic dimension also has four components: public sector management; organizational accountability; rule of law (contracts, property rights); and transparency (includes freedom of information).

The schema presented in Figure 1 does not, it should be said, represent closure on the concept of governance. It does, however, provide a framework for further discussion. As the following section should make clear, initiatives to develop measurements of governance have been selective in their choice of dimensions for inclusion.

Orkin suggests two main reasons for failure. First, disputes about governance indicators are “endemically ideological.” What to measure, as well as which indicators to select, are based on public administration and political frameworks. The frameworks are normative in character. This gives rise to a situation where the same indicator may have divergent interpretations depending on which ideological underpinning is utilized.

Second, some regimes, although forced into compliance by trade and aid considerations, are reluctant to produce and disseminate governance indicators that reflect adversely on the progress toward good governance. This reluctance is compounded when indicators are used in cross-country comparisons and rankings.

The preceding account is intended as a cautionary note to accompany the following review of current initiatives for measuring good governance. In this regard, one additional observation is warranted, namely, that good governance is by and large treated as an instrumental value. In other words, it is a means by which to achieve a desired ends. This begs the question, “Good governance for what?” The response to the question varies, depending on the nature of the “what”: for instance, “Governance for poverty reduction,” “Governance for economic development/ efficiency,” etc. It should come as little surprise then, that indicators for measuring good governance are informed by the desired ends. Thus, different sets of indicators are used to measure governance, depending on the nature of the ends in question.

Report of the Human Rights Centre, University of Essex

The Human Rights Centre, University of Essex, issued a major report in 2003 on “Map-Making and Analysis of the Main International Initiatives on Developing Indicators on Democracy and Good Governance.” The project, conducted by a team led by Todd Landman, was commissioned by the Statistical Office of the Commission of the European Communities (EUROSTAT). One of the project’s main objectives was the provision of a synopsis of different approaches and methodological options available for measuring democracy and good governance. The Final Report acknowledges from the outset, however, that good governance remains an “essentially contested concept,” since there is no consensus on its definition or content (Landman et al., p. 1). Different definitions lead to different measures of the concept. Conceptual confusion compounds the methodological problem of how to develop meaningful cross-national indicators on which there is agreement. In the absence of a clear conceptual framework, controversy surrounds the tools of measurement.

The Final Report identifies different categories of data collection. Public perceptions of good governance tend to be based on **surveys** conducted on small samples ($20 < N < 50$) of target groups, such as “important persons” in government, business, and industry, using purposive (i.e. non-random) sampling techniques. **Standards-based data**, drawing upon ideal-type frameworks of good governance, are employed in the construction of indices and scales which are then used to evaluate progress towards the achievement of the ideals. For example, Freedom House civil and political liberties scores, which are standards-based ordinal scales, have been used in research studies on good governance. A third category of data is the so-called **events-based data**, which consist of an enumeration of specific events, positive and negative, that reflect promotion of, or impediments to, good governance. For example, acts of corruption could constitute units of analysis for negative events.

Landman et al. report different ways in which indicators to measure good governance have been categorized. UNDP, for instance, makes the distinction between **objective** indicators, such as economic performance, and **subjective** indicators, which reflect respondents' opinions and are perceptual. Another way to categorize indicators is to adopt a systems approach, whereby indicators are identified as belonging to one of the following categories: **input**, **process**, or **output**. **Input indicators** measure "the performance of an obligation bearer," **process indicators** measure the implementation process, and **outcome indicators** measure the level of progress achieved.

The authors take note of the trade-offs between different types of indicators:

There are always trade-offs between the different types of indicators. Those that achieve global coverage tend to have a higher level of abstraction and may not provide the kind of differentiation required for policy analysis or policy decision-making. Those indicators that provide highly detailed event counts are difficult to produce across a large global sample of countries.

(Final Report, 2003, p. 6)

Five types of measures of good governance are identified.

- Civil and political liberties or political freedoms as proxy measures for the rule of law and governance. Freedom House scales are the prime example of this type of measure. Users include: the Heritage Foundation and the Wall Street Journal, who produce annual scores for 161 countries from 1995-2003.
- Frequency of political violence as an inverse measure of good governance. Measures of this type focus on "bad" rather than "good" governance. Global data bases exist for political stability indicators, e.g. military coups, political assassinations, riots and demonstrations (see Russett, 1964; Taylor and Hudson, 1972; Taylor and Jodice, 1983; Banks, 1994, 1997).
- Expert assessments and opinion of good governance (generally to assess investment and business climates). The United Nations University World Governance Survey Project (WGS), a collaborative effort with UNDP, has used expert opinion surveys on good governance for 16 developing and transitional countries (Court, Hayden, and Meese, 2002). In addition, other organizations, such as Transparency International, the Political Risk Services, and Business Environmental Risk Intelligence (BERI) also produce rankings of countries across a range of indicators, including for instance, political stability, the legal system and the judiciary, and the prevalence of corruption.
- Objective measures of good governance. One example, cited by Landman, et al., is the "contract-intensive money" indicator, or CIM. CIM is the ratio of non-currency money to the total money supply, and is based on figures supplied by the International Monetary Fund. The logic of using CIM as an indicator of good governance is that in highly uncertain (i.e. where the rule of law does not prevail) environments, individuals will choose to hold a larger proportion of their assets in the form of cash (Knack, 2002, p. 12; Clague et al., 1995, 1997, 1999).

- Mixed measures that combine aggregate data, scales, and expert opinion. An example of this type of measure are the indices generated by Kaufmann, Kraay, and Zoido-Lobaton (KKZ) at the World Bank. A factor analytic technique is used on 300 disparate indicators of good governance to generate six indices: voice and accountability; political instability and violence; government effectiveness; regulatory burden; the rule of law; and graft. The six indices are available for 160 countries for 1996-2002.

Landman et al. provide a helpful analysis of the methodological strengths and weaknesses of each initiative. All the initiatives, with the exception of BERI, have global coverage, are based on “good” to “reasonable” time series data, and are updated annually. Fraser Institute, Freedom House, and World Economic Forum scales are widely used. Weaknesses of the initiatives are also documented. For example, some of the weaknesses of the Freedom House scale appear to be: lack of transparency in coding; unknown source material mixes economic with political assessments; ideological biases; and aggregation problems. Both Fraser House and the World Economic Forum scales are cited for mixing objective with subjective indicators. Transparency International and Political Risk Services data are based on an unrepresentative sample of opinion. The KKZ combined indices are based on short time-series, and point estimates are so insecure that they cannot make fine distinctions among countries. Further details are given in Annex 1.

The Final Report concludes with the recommendation for the need for conceptual clarity in regard to good governance. That current measurements are so varied reflects a lack of clarity that attaches to the concept. The components of good governance must be specified, together with the purpose of measurement. Methodological problems remain, but, if addressed seriously, they can be overcome. The authors make a number of useful suggestions, including development of a core set of indicators and merging data sets into one global data set of measures.

The UNECA Project

The objective of this project, undertaken by the United Nations Economic Commission for Africa (UNECA), is to monitor the progress of African states towards good governance (UNECA, 2003, p. 8). The sample consists of 28 countries in the five sub-regions of Africa. At the present time, the methodology and data collection instruments have been developed. The fieldwork is in progress.

Six components of good governance are identified (UNECA, 2003, pp. 9-10):

- A political system that encourages broad input from all elements of civil society.
- Impartial and credible electoral administration, and an informed and active citizenry.
- Strengthened public sector legislative and administrative institutions.
- Transparency, predictability, and accountability in political, oversight, and regulatory decisions by government and public bodies.

- Effective public sector management with stable macroeconomic policy, effective resource mobilization, and efficient use of public resources.
- Adherence to the rule of law in a manner that protects personal and civil liberties and gender equity, and ensures public safety and security with equal access to justice for all.

Three survey instruments are used. The first instrument seeks the opinion from an expert panel on issues pertaining to governance. The expert panel consists of at least 100 persons, including: academics, lawyers, business leaders, professionals working with independent civil society organizations, and religious leaders. The second instrument measures the perception of the general adult population, represented by heads of household or the next senior member in a household. The third instrument is designed to collect factual information and hard data.

The three instruments yield data on 83 indicators covering political representation, institutional effectiveness and accountability, and economic management and corporate governance. The indicators are grouped into five clusters:

- | | |
|---|----|
| • Political Representation | 15 |
| • Institutional Checks and Balances | 16 |
| • Effectiveness and Accountability of the Executive | 18 |
| • Human Rights, Law Enforcement and the Rule of Law | 19 |
| • Economic Management and Corporate Governance | 15 |

Intended project outputs include Country Reports, Sub-Regional Reports, an Africa Governance Report, and additional research papers.

Poverty Task Force Governance Indicators for Vietnam

The Government-donor-NGO Poverty Task Force of the Asian Development Bank (ADB) has produced a series of papers on the Vietnam Development Goals (VDGs) during 2001-2002, intended to serve as input for the implementation of the Government of Vietnam's Comprehensive Poverty Reduction and Growth Strategy (CPRGS). The papers address the developmental vision of Vietnam and its Government's efforts to meet international goals. Based on the premise that good governance is essential to poverty reduction, one of the papers, "Ensuring Good Governance for Poverty Reduction," addresses the measurement issue and proposes governance indicators. Four principles inform governance reforms: accountability, transparency, participation, and predictability.

In the Vietnam context, the parameters for reform are taken from a report produced by the World Bank, ADB, and UNDP, Vietnam 2010: Entering the 21st Century (World Bank, 2000). Five key areas of governance are identified for improvement: a stronger, more efficient public service which is capable of implementing policy and delivering better public services to all; better and more transparent public financial management; wider access to justice and ensuring universal application; more participative and responsive government, particularly at local levels; and a government that fights corruption and waste at all levels (Poverty Task Force, 2002, iv).

Given the five parameters specified by the World Bank, ADB, and UNDP report, the Poverty Task Force proposes eight core indicators:

- Level of information publicly available regarding services, policies and planning arrangements at all levels.
- Extent of access of the poor to basic government services such as health, education, infrastructure, water and power at the local level.
- Level of budget transparency regarding provincial and local taxation, budgeting, and spending patterns in each sector.
- Extent to which, at the national level, the level of expenditure that is targeted to pro-poor purposes is predictable from year to year.
- Extent to which the decisions and verdicts of courts and tribunals are publicly available.
- Extent to which local government is responsive and follows up on service delivery problems that are raised with them by the poor.
- Extent to which the Grass Roots Democracy Decree has been implemented in each commune so as to improve opportunities for public participation.
- Extent to which laws combating corruption are effective.

The Poverty Task Force paper then proceeds to propose, for each of the preceding core indicators, a number of **outcome** and **process** indicators. These are reproduced in Appendix 2 of this paper.

Although progress toward measuring good governance in Vietnam is still in the early stages, the authors of the Poverty Task Force paper seem encouraged by the fact that the Government has made official statements regarding its vision of what must be achieved. The vision, based on statements contained in the 10-Year SEDS for 2001-2010 and the next 5-Year Plan, is for

a country that has efficient Government institutions at all levels, is governed by the rule of law, and ensures a fair, equitable society for all Vietnamese citizens, whilst ensuring national security and being compatible with the needs of a more market-oriented economy as well as uplifting the standard of living, particularly the poor

(Poverty Task Force, 2002, p. 14)

The World Bank Revisited

The World Bank was the first major donor institution to adopt the concept of good governance as a condition for lending to Third World countries. Since the late 1970s, the World Bank has taken the lead in pioneering efforts to develop indicators to measure the quality of development policy. Policy quality is measured by an index called the Country Policy and Institutional Assessment (CPIA). The index is based on staff assessments of policy quality. These assessments are assigned numerical scores, although the assessments are clearly qualitative and judgmental in character. The CPIA is a confidential document, i.e., seen only by Bank staff. The information that is made available to the public are IDA-eligible country standings in the form of quintiles (for example, “top fifth,” “lowest fifth,” and so forth).

Barry Herman, in “How Well Do Measurements of an Enabling Environment for Development Stand Up?” reviews the current CPIA methodology (Herman, 2004). The CPIA Index consists of four clusters of indicators, totaling 20 items: economic management (4 items); structural policies (6 items); policies for social inclusion/equity (5 items); and public sector management and institutions (5 items). The last cluster of indicators is synonymous with concepts of good governance:

- a. Property rights and rule-based governance
- b. Quality of budgetary and financial management
- c. Efficiency of revenue mobilization
- d. Quality of public administration
- e. Transparency, accountability and corruption in the public sector.

New items may be added to the CPIA index, and old ones removed from time to time, but the total number remains always at 20 items.

The CPIA is used to calculate a “Country Performance Rating” (CPR), which is then employed in the Bank’s formula for allocating IDA funds. The rather complicated, and difficult to interpret, formula involves, in its final stage, the use of a “governance factor” in computing the CPR. The governance factor is calculated from the five indicators listed above, together with an additional indicator called “Management and sustainability of the development program,” plus a “procurement practices criterion.”

Herman is critical of the CPIA’s methodology. The index is based on Bank staff assessments. The Bank is in a donor relationship with the country being assessed, and it must be assumed that the staff members conducting the CPIA evaluation are well informed about the relationship between the Bank and the government. They are hardly impartial, external observers. The assessments are clearly judgmental and are open to the charge of lacking validity (i.e., the scores do not measure what they are supposed to measure).

Summary

This section has reviewed governance indicators currently in use. The indicators reflect different dimensions of governance. Although there is a broad, diffuse understanding of the concept, a great deal of variation exists in the specification of measures. Scales and indices to measure governance are used for a variety of purposes: for cross-national comparisons and rankings, but also for tracking the development record of a country. In the former case, the issue is how to develop indicators that are valid and can be reliably measured world-wide. In the latter case, indicators are generally custom-tailored to the country context. Validity of measurement is a problem with some of the indices. Reliability is another problem, particularly when numerical scores are assigned to indicators that are based on subjective appraisals.

STUDIES ON GOVERNANCE

The measurement of governance with scales and indices is one matter. Of equal interest is the question whether good governance in fact results in poverty reduction, improved economic performance, and other desired end states. Research studies on the relationship between governance and other variables of interest, such as poverty reduction and participation, fall more or less into two categories: studies commissioned by donor agencies, and studies undertaken by academics. The latter category tends to employ a more sophisticated, and generally more rigorous, methodology than the former category. It is, however, beyond the scope of this paper, whose focus is on methodological issues in measurement, to conduct a full review of such studies. A few examples must suffice, for illustrative purposes.

Studies Commissioned or Executed by Donor Agencies

Case Studies. These generally take the form of technical papers employing qualitative analysis. For example, the OECD Development Centre has a research program on Good Governance and Poverty Alleviation. A series of papers have been produced by the Centre, linking governance to poverty alleviation in a number of Least Developed Countries. Each paper typically has sections on: overview on the status of poverty; the role of the government in poverty alleviation; the role of donors; the role of NGOs; governance and policy; empirical evidence on governance and poverty alleviation. The “empirical evidence” is often far from robust and it is ad hoc. The “conclusions” drawn from the data rely heavily on the interpretation of the author of the report, and they sometimes have an *a priori* ring.² To the extent that authors have been selected on the basis of their expertise, reports are nevertheless authoritative. To the extent that the analyses have important implications for external assistance, the reports are salient.

² For example, “In the absence of any serviceable analytical link between governance and development, we have taken the *a priori* position in this paper that the persistence of poverty ...in most...countries originates in problems of governance rather than an inadequacy of resources.” (OECD Development Centre, Technical Paper No. 143, p. 13)

Evaluation Research. Donor agencies also undertake evaluation studies, designed to examine the relationships that obtain empirically among concepts. For example, UNCHS (Habitat) Community Development Programme (CDP), in conjunction with the Institute of Social Studies in the Hague, has conducted a three-year evaluation research to assess the effectiveness of its work. The study documents the work of the Community Development Programme from 1986 to 1996 in Bolivia, Costa Rica, Ecuador, Ghana, Sri Lanka, Uganda and Zambia. The evaluation research focuses on concepts and practical approaches the CDP uses to reduce poverty. Three concepts are examined: participation, community management, and government enablement of community action. Data were collected from household surveys, as well as from a large sample of community leaders and government officials. The immediate output of the research is 21 global and country specific reports.

Amongst the 17 research findings generated by the evaluation, several are of interest in the context of governance and participation:

- Government enablement is not yet a properly formulated concept
- Reducing poverty requires integrating economic, social and physical development at the local level
- Community organizations are more effective when their efforts are supported systematically by governments
- Governments improve their planning and economize public resources more efficiently when they draw upon, rather than disregard community initiative
- Community management skills enable people to participate democratically in their own organizations
- Participation is not enough: people need the capacity to participate effectively

(Ludeking and Williams, 1999)

Academic Research on Governance

Research on hypothesized causal linkages between good governance and other desired outcomes is typically reported in (but not confined exclusively to) academic journals, such as *The Quarterly Journal of Economics*, *European Economic Review*, *American Economic Review*, *Journal of Economic Growth*, *Economics and Politics*, *International Affairs*, *World Development*, *Development and Change*, *Governance*, *American Political Science Review*, *Policy Studies Journal*, etc., rather than in donor institution publications. The methodologies employed usually are quite rigorous, and meet academic standards.

Some of the papers published by donor institutions make reference to academic research. For example, the report of the Poverty Task Force alludes to the fact that, “empirical research in a number of countries establishes that where there is weak governance this reinforces poverty.” (2002, p. 2) Research findings by a number of scholars are cited in support. Thus: measures of trust and civic cooperation are linked to economic growth (Knack and Keefer, 1997); there is a relationship between trust and efficiency of the judiciary, corruption, bureaucratic quality, tax compliance and civic participation (La Porta, Lopez de Silanes, Heifer, and Vishny, 1999).

Of methodological interest are attempts to validate instruments for measuring governance. One such example is Campos and Nugent's exploratory analysis appearing in "Development Performance and the Institutions of Governance: Evidence from East Asia and Latin America" (1999). Their article has three objectives: to assess the extent to which available data can capture the institutional characteristics of governance; to assess to what extent governance is related to development performance; and to determine the degree of correlation among the measures of institutional characteristics of governance. Five institutional characteristics of governance are identified: 1) an accountable executive; 2) an efficient and professional public bureaucracy; 3) rule of law; 4) transparent and participatory policy-making; and 5) a strong civil society.

Indicators to measure each of the institutional characteristics are taken from multiple sources. Accountability of the executive is measured by a composite of two indicators from Gurr's Polity III, "executive constraints" and "regulation of executive recruitment".³ Quality of the bureaucracy is measured by a composite of two indicators: the first, "bureaucratic quality," is taken from the International Country Risk Guide (ICRG); the second, "bureaucratic efficiency," is taken from BERI. Rule of law is an ICRG indicator called "rule of law tradition." A strong civil society is measured by a composite of four indicators. Two are taken from Freedom House: "civil liberties" and "political rights;" two are from Gurr's Polity III, the "competitiveness of political participation" and the "regulation of political participation." The authors acknowledge that the indicators for civil society at best "indirectly depict some of the necessary conditions under which a strong civil society might emerge." (Campos and Nugent, 1999, p. 443)

Two observations should be made. First, the weaknesses of the indicators have already been discussed elsewhere in this paper (e.g., mixing objective with rather less reliable subjective indicators). Second, it is noteworthy that, despite all efforts, Campos and Nugent were unable to obtain even indirect measures of transparency of the decision-making process. (Of course they did not have access to the World Bank's CPIA, where one of the indicators is "transparency, accountability, and corruption in the public sector.") This institutional characteristic was therefore dropped from the analysis.

Development performance, the dependent variable, was represented by three indicators: real per capita GDP, infant mortality rate, and adult literacy rate.

Data were obtained on a sample of 21 Latin American countries, and eight Southeast and East Asian countries. Socialist and transition-type economies such as China, Cuba, Laos and Vietnam were excluded from the sample.

Separate OLS regressions were run on each of the three development performance indicators. Interestingly, most of the four institutional characteristics of governance indicators appear to be statistically significant, and have the correct sign, in the three regression equations. There are some anomalies (e.g. "wrong sign," and the "accountable executive" indicator is not statistically significant in some of the equations).

³ Robert Gurr's Polity III is available from the Inter-University Consortium for Political and Social Research (ICPSR) at the University of Michigan.

The Campos and Nugent paper is an exploratory analysis. As the authors are careful to point out, too many claims should not be made of the findings. What is of particular interest, however, is the fact that the authors reveal the lack of existing data in measuring certain aspects of governance (“transparency in decision-making,” for example), and they provide a methodology for undertaking future research on the linkage between governance and development performance, that relies on the use of existing data sets, many of which are time series.

Governance and Poverty Reduction

The connection between governance and poverty reduction is somewhat tenuous. On the one hand, there is some empirical evidence to suggest that weak governance reinforces poverty (Poverty Task Force, 2002, p. 2; Campos and Nugent, 1999). On the other hand, the link between governance and poverty is sometimes accorded *a priori* status, i.e., it is simply assumed to be true (OECD Development Centre, Technical Paper No. 143, p. 13).

Further research on the relationship between governance and poverty reduction is obviously needed, if the question is to be decisively answered. For the time being, however, in the absence of definitive studies, it is not implausible to suggest that the link sometimes exists, but that at other times there is no link. As an example of the latter case, one has only to think of certain Asian economies, not known for their good governance, whose per capita GDP has continued to grow quite amazingly. In other words, it may turn out to be the case that good governance is sometimes correlated with, but is not a necessary condition for, poverty reduction.

DISCUSSION

The preceding review of the current status in measuring governance, together with examples of research to assess the effect of good governance on desired end states such as poverty reduction and other areas of development performance, reveals a proliferation of measurement instruments. The strengths and weaknesses of the instruments has already been discussed and will not be repeated here. In sum, doubt is cast on the reliability and validity of many of the measures. These shortcomings notwithstanding, it is nevertheless the position of this paper that provided the user is aware of the measurement error that attaches to each instrument, and thus exercises caution in interpreting data and reaching conclusions, there is much to be said for using available scales and indices as guidelines or rough indications. The fieldwork and data collection have already been conducted. Little or no additional investment is required. The methodologies employed are open to scrutiny, rendering it possible to assess the quality of the data.

Nonetheless, the task of measurement is not yet completed; much remains to be done. One assumes that work on developing new instruments, and fine-tuning existing ones, will continue. There are a number of separate issues, however, that merit attention. These will be discussed here, under two headings: methodological issues and substantive considerations.

Methodological Issues

In view of the proliferation of instruments for measuring governance, a question that immediately comes to mind is, “Are these instruments measuring the same thing, or does each instrument measure something different?” Two issues arise. The first issue concerns the problem of definition. Suppose that one were to accept donor institution and Western concepts of good governance. As we have seen earlier, different indices represent an attempt to capture somewhat different aspects of governance. Which is to say, governance is not so much an elusive concept as it is multidimensional. The lack of a “stable meaning” to the term governance can be attributed in part to the multidimensionality of the concept. Also, it must be said, confusion arises because the concept itself has been evolving over the years. Predictability and participation, for example, were added along the way. So long as the concept is “evolving,” stability of meaning should not be expected.

One way to untangle the definition issue would be to “unpack” the term, that is, to separate the components or dimensions of governance. For each component or dimension, outcome indicators must be kept separate from process indicators. Proceeding in this way might be a beginning step toward obtaining an appropriate basis for comparison in cross-national studies. Still, a key problem remains on how to reach agreement on a standard meaning for each dimension. How should transparency, accountability, etc. be defined? Is a standard definition in fact possible? Moreover, even if agreement were reached, for any given dimension, indicators are still likely to vary depending on the substantive context. Transparency indicators for public policies, for example, surely are different from transparency indicators for financial management.

The second issue has to do with the isomorphism of instruments. If current instruments purport to measure the same underlying construct (“governance”), then is it appropriate to treat them as isomorphic or equivalent or substitutable for one another, much in the way that TOEFL and IELTS scores are regarded as substitutable for measuring English language ability? One way to find out is to correlate the different indices. A high correlation, for instance, would be interpreted as high equivalence.

Substantive Considerations

Good governance is often regarded as an instrumental good: it is desired because it is hypothesized to result in beneficial outcomes, such as poverty reduction and development performance. Although there is some empirical evidence to support the hypothesis, further corroboration is needed. In light of the superior economic performance of some countries that are not ranked very high on good governance, it is just possible that good governance may turn out as a matter of fact not to be a necessary condition for poverty reduction, etc. after all. Although this is purely conjectural, the Committee for Development Policy (CDP) may nevertheless wish to deliberate its implications in terms of development policies.

A second issue should be drawn to the attention of the CDP. The CDP is required to conduct a triennial review to determine the countries to be added to, and graduated from, the list of least developed countries (LDCs). Adoption of a methodology for identification of the LDCs rests with the CDP. A question that the CDP might wish to consider, in this regard, is whether an investigation should be conducted into the relationship between good governance and least developed country status.

Identification of least developed countries is based on three dimensions of a country's level of development: income level (measured by gross national income per capita (GNI)); its stock of human assets (represented by a composite index called HAI); and its economic vulnerability (represented by a composite index called EVI).⁴ The rationale accompanying most of the frameworks on governance views it as instrumental, that is, necessary for achieving certain desired end states. Thus, it is hypothesized that a country's governance should directly affect, i.e. be positively related to, its GNI and HAI, but that governance should be unrelated to EVI.

Should the empirical evidence turn out to support these hypotheses, then a dilemma presents itself. The dilemma is the following one. Good governance is increasingly becoming a conditionality for development loans, if not development assistance. If it is the case that least developed countries also tend to be characterized by poor governance, then this presents an obstacle to being considered for development assistance. But surely it is the least developed countries that are most in need of development assistance?

An issue worth pursuing is perhaps not how to *measure* governance, but how to *enhance* good governance. If the determinants of governance can be identified, and appropriate frameworks for enhancing good governance developed, then, rather than penalizing poor governance countries by withholding development assistance, that assistance could instead be channeled toward strengthening governance institutions and mechanisms.

⁴ A full description appears in the *Report of the Committee for Development Policy on the fifth session (7-11 April 2003)*, pp. 23-71.

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ANNEXES

Table 3. Descriptive information on and evaluation of main initiatives measuring good governance

Initiative	Type of measure	Geographical Coverage	Temporal range	Strengths	Weaknesses
Freedom House	Scale-based indicators for political and civil liberties	Global	1972-present	Global coverage; long time-series (since 1972); widely used; updated annually	Lack of transparency in coding; unknown source material mixes economic assessments with political assessments; ideological biases; aggregation problems
Heritage Foundation/Wall Street Journal	Abstract scale of economic freedom	161 countries	1995-2003, updated annually	Global coverage; reasonable time-series (1995-2003); updated annually	
Fraser Institute	Standards-based scales	123 Countries	1975-2002	Global coverage; good time-series (1975-2002); used widely	Mixes objective and subjective measures
Political Risk Services	Expert opinion on corruption, rule of law, expropriation risk, repudiation of government contracts, quality of the bureaucracy.	140 countries	1982-2003, updated annually	Global coverage; reasonable time-series (1982-2003); updated annually	Unrepresentative sample of opinion; scores may represent underlying economic conditions; narrow measure of good governance
Business Environmental Risk Intelligence (BERI)	Expert opinion: political risk index	50 countries	1972 to the present, updated three times a year	50 countries	1966 to the present; lack of transparency in coding
Transparency International	Corruption Perceptions Index (CPI)	Global	1995-2002, updated annually	Global coverage; reasonable time-series (1995-2002); updated annually	1995-2002; Unrepresentative sample of opinion; narrow measure of good governance

University of Essex – Human Rights Centre
Eurostat Contract No. 200221200005
Final Report

World Economic Forum	Competitiveness scale	Global	1979-2002 updated annually	Global coverage: good time-series (1979-2002); widely used	Mixes objective and subjective indicators (i.e. those on good governance).
Contract Intensive Money (CIM) (Clague et al. 1999)	Objective IMF indicator	Global (104 countries)	1969-1990	Global coverage; objective indicators; updated annually	Narrow proxy measure of good governance; culturally biased.
Combined indices KKZ	Unobserved components data reduction of 300 different indicators on six aspects of good governance	Global	1996-2002	Global coverage; robust number of indicators that are combined	Short time-series (1997-1998); combines different sets of indicators; point estimates so insecure that middle 'rump' of countries cannot be ranked

SELECTING INDICATORS IN GOVERNANCE/ PUBLIC MANAGEMENT

Table 1. Possible Governance/Public Management Outcome Indicators

Outcome	Transparency	Accountability	Participation	Predictability
A stronger, more efficient public service which is capable of implementing policy and delivering better services to the people at all levels	Extent to which information is publicly available regarding services, policies and planning arrangements at all levels	Degree of redress that the poor can obtain when faced with poor access to and/or low quality services from the Public Service Whether civil servants are being paid and promoted in accordance with merit	The extent to which the poor has an opportunity to participate in the policy-making & implementation process at the local level,	Extent of access of the poor to basic government services such as health, education, infrastructure, water and power at the local level.
Better and more transparent public financial management	Level of budget transparency regarding central, provincial and local taxation, budgeting, and spending patterns for each sector	The extent to which expenditure that is incurred at all levels of government is open to independent scrutiny and report	Whether the poor has the opportunity to participate in budget formulation at each level of government	Extent to which, at the national level, the level of expenditure that is targeted to pro-poor purposes is predictable from year to year
Wider access to justice and a level playing field	Extent to which decisions and verdicts of courts and tribunals are publicly available Extent to which the means of redress are made available	Ability of the poor to access the court and tribunal system to seek redress, including against Government agencies	Extent to which there is a process for consultation with civil society in the process of preparation of laws, decrees and regulations	The law is applied by all institutions fairly and predictably in all fields of activities, including in the resolution of administrative disputes
More participative and responsive government, particularly at local levels	Extent of formal recognition of the role of civil society in government at all levels	Extent to which local government is responsive to and follows up problems that are raised with them by the poor	Extent to which the Grass Roots Democracy Decree has been implemented in each commune so as to improve the opportunities for public participation	Services provided at the local level to the poor are delivered in accordance with client charters
A government which prevents, and fights, corruption and waste at all levels	Extent to which information on corruption and waste is made public	Extent to which there are institutional mechanisms for pursuing corruption and waste	Extent to which there are institutional mechanisms available to civil society to raise issues of corruption and waste	Extent to which laws for combating corruption are effective

PART VI- MONITORING

A. Developing Process Indicators

There are two steps in ensuring that indicators are monitored accurately. First, the indicators must be clear and mutually comparable among different regions of Vietnam.

Second, where data gathering systems are currently insufficient, new systems must be created (as has been proposed by the World Bank). For each indicator, two data gathering methods are proposed:

1. One quantitative method that can be measured using existing systems.
2. One qualitative method that will require systematic client surveys of selected citizens and civil servants.

Table 2 below sets out the proposed framework for measuring the eight outcome indicators recommended in Table 1.

Table 2: Proposed Governance/Public Management Monitoring Framework

Outcome Indicator (from Table 1)	Process Indicator
Level of information available to civil society regarding services, policies and planning arrangements	<ol style="list-style-type: none"> 1. % of communes providing information sheets on services etc 2. Client survey of citizens regarding local awareness of services etc.
Extent of access of the poor to basic government services such as health, education, infrastructure, water and power.	<ol style="list-style-type: none"> 1. % of poor with access to particular basic service in each province 2. Client survey of availability of particular services at provincial level
Level of budget transparency regarding central, provincial and local taxation, budgeting, and spending patterns for each sector	<ol style="list-style-type: none"> 1. Information published in the National Budget enables identification of expenditure/revenue by sector and province 2. Percentage of budgets that are published and available at provincial, district and commune level
Extent to which expenditure is pro-poor and is incurred in accordance with budget allocations and plans	<ol style="list-style-type: none"> 1. % of expenditure of National Budget identified as pro-poor 2. Audit/review of expenditure indicates that budget was in fact spent on the poor
The law is applied by all institutions fairly and predictably, including in the resolution of administrative disputes	<ol style="list-style-type: none"> 1. The increased independence of legal institutions is provided for by the law 2. Citizens surveys regarding perceptions of the application of the rule of law by government
Impact of implementation of the Grassroots Democracy Decree on involvement of civil society in local government	<ol style="list-style-type: none"> 1. Percentage of communes that provide arrangements for local participation in local government 2. Citizens survey of perceptions of the level of involvement of civil society in local government
Extent to which laws for combating corruption are effective	<ol style="list-style-type: none"> 1. Effectiveness of mechanisms provided by law laws 2. Results of client surveys on perceptions of effectiveness of laws

Acronyms

ADB	Asian Development Bank
BERI	Business Environmental Risk Intelligence
CIM	Contract-intensive money
CPIA	Country Policy and Institutional Assessment
CPR	Country Performance Rating
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
DAC	Development Assistance Committee
EVI	Economic Vulnerability Index
HAI	Human Assets Index
ICRG	International Country Risk Guide
KKZ	Kaufmann, Kraay, and Zoido-Lobaton
UNDP	United Nations Development Program
UNECA	United Nations Economic Commission for Africa
VDGs	Vietnam Development Goals
WGS	World Governance Survey Project