
UNIT 1 GOVERNANCE: AN OVERVIEW

Structure

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1.1 INTRODUCTION

Governance is a buzzword now days, and you might be listening and reading this word in daily life. People might be talking about the good governance in the southern Indian states leading to better performance in various areas of development, as compared to some other states. Former UN Secretary General, Kofi Annan said “good governance is perhaps the single most important factor in eradicating poverty and promoting development”. Therefore, knowing about the meaning of governance has become important in studying development. Governance is characterized mainly by transparency, accountability, participation, rule of law, and efficiency. Good governance would promote and ensure development. It is believed that sound economic policies and democratic institutions that are responsive to people’s needs are instrumental for sustained economic growth, poverty eradication, and employment generation. This unit deals in detail with governance and development.

The thrust of the unit is to analyse the concepts- governance and development, where two concepts are closely linked.

After studying this unit, you would able to:

- explain the need, scope, and meaning of governance;
- analyze the features of good governance;
- distinguish the linkage between governance and development; and
- discuss barriers to good governance.

1.2 GOVERNANCE: MEANING, NEED & SCOPE

The concept of the state occupies a central place in discourses on politics and administration. Government is a critical and inseparable element of the state. The government is constitutionally responsible state for administration through various

institutions to ensure a better society and improved lives of citizens. So, the focus is on the state, and the state remains the principal actor in the entire process of administration. In the course of administration, the government creates a relationship between its various institutions and citizens. The nature of this relationship depends the nature of the state, e.g., whether it is a military state, autocratic state, democratic state, or any other form. Moreover, the relationship among the state, the market and the civil society has undergone a rapid and huge change all over the world. With this background, 'governance' is recognised as an important concept in recent years both by the nation states as well as by the international agencies giving fund for developing activities. In India, it has gained prominence in academic, as well other arenas, after the launch of liberal economic policies in 1991. As far as the meaning of the concept is concerned, it can be said that an exact interpretation of the concept of governance is still elusive. However, there are various interpretations of the concept, and they seem to converge on a broad meaning, i.e., reform in the governing process for better and improved policy outcome. So, the meanings include building and strengthening the capacities of various institutions of the state or public institution; encouraging and facilitating participation of common citizens in the governing process. But, with the beginning of the liberal economic policies, another actor, called the market, has entered into the scenario. Many people believe that the market has emerged as a viable alternative to the state as the latter has failed in ensuring effective development policies, and their proper implementation. So, in this context, the meaning of governance includes the reduction of the role of the State in economic activities as well as the promotion of the role of the market.

Governance has a clear relationship to the redefinition of the role of the state in India. In many advanced countries, the redefinition of the role of the state has a direct bearing on the conceptualization of the term governance. The concept was again strengthened with the beginning of the process of globalization. It got additional emphasis with the beginning of the process of globalisation. Hence, the state-centric approach has changed, and the meaning of governance has also changed with the rise of the market as a player in development. The market involves international and aid-providing agencies, and, with the rise to prominence of the market, these organizations have emerged as powerful players. These agencies interpret governance as the set of guiding principles to improve and strengthen the capacity of the recipient countries towards better and effective implementation of development initiatives. There is a quest for alternative framework for policy making and implementation. Thus with globalisation, a new set of actors, such as the state and its institutions, the market, civic organizations, and citizens have emerged. This has resulted to a new pattern of relationship between these actors, giving a new twist to the meaning of the term, governance. It may be said that governance implies the renewed pattern of relationships between these actors.

The term, governance, is derived from the Greek term, *kubernao*, which means 'to steer'. So, governance is the process that steers affairs of the State. In ancient times, the Greek philosopher, Plato, also used the term, governance. A close examination of the literature on governance reveals that the term came into the limelight with the publication of the World Bank's report on sub Sahara in 1989. The report said that development initiatives taken up by the World Bank had not been able to produce the desired development benefits due to the weak role of the state, and its ineffective institutions. Summarizing this problem, the World Bank report coined the term 'crisis of governance'. Thus, the focus

was cast on improving governance by improving managerial and administrative competencies. Further, in 1992, the World Bank, in its publication, *The World Development Report*, focused on the renewed meaning of governance by reconceptualization of the role of the State. It advocated an efficient and effective administrative state that is detached from its earlier omnipresent involvement in economic and administrative matters. From the above discussion, it can be deduced that the different problems relating to administration can be tackled by institutions of the state, and by other actors as well. Jon Pierre comments, in his book, *Debating Governance*, that political institutions no longer have a monopoly on the orchestration of governance. This statement indicates that the process of governance is no longer state-centric and that other actors have, also, emerged as critical players. Stoker has identified the following features of governance while summarizing various perspectives on governance.

- i) it refers to a complex set of institutions and actors that are drawn not only from government, but from beyond
- ii) governance identifies the power dependence involved in the relationship between institutions that are involved in collective action
- iii) it recognizes the blurring of boundaries and responsibilities for tackling social and economic issues
- iv) it is about autonomous self-governing networks of actors
- v) Governance ensures that the government is able to use new tools and techniques to steer and guide.

Prof. Kuldeep Mathur opines in his book, *From Government to Governance*, that governance is concerned with changes taking place in the organization of the state, and with changes in its relationship with the private sector and civil society actors (Mathur, 2009). The World Bank defines governance as, 'The exercise of political authority, and the use of institutional resources to manage the society's problems and affairs.' The World Bank interprets governance as the institutional capacity of public organizations to provide public and other goods demanded by a country's citizens in an effective, transparent, impartial, and accountable manner, subject to resource constraints.

In the Worldwide Governance Indicators project, the World Bank further defines governance as: "The traditions and institutions by which authority in a country is exercised. This considers the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies and the respect of citizens and the state of the institutions that govern economic and social interactions among them."

The United Nations Development Programme's regional project on local governance for Latin America has been able to define the concept of governance in a comprehensive way. It includes three key ingredients, namely, legality, legitimacy, and participation. It says, "Governance has been defined as the rules of the political system to solve conflicts between actors and adopt decision (legality). It has also been used to describe the proper functioning of institutions and their acceptance by the public (legitimacy). And it has been used to invoke the efficacy of government and achievement of consensus by democratic means (participation)". The last feature that is participation is crucial to the process of governance and it facilitates a healthy relationship between the government and the governed. It

also enhances a sense of belongingness among the citizens towards their respective states.

Based on these discussions, it can be said that governance means the process of decision making, and the process by which the decisions, are implemented, or even not implemented. Over the last couple of years, the concept of governance has undergone change. It has included a few elements like accountability, transparency, and effectiveness into its broad contours. So, it has led to the emergence of a new aspect of governance, which is termed, good governance. Here, again, the World Bank cites four essential components of good governance, which are

- i) Public sector management requires civil service reform and involvement of private sector. The civil service reform as suggested by the Administrative Reforms Commission in India is an example of this. Again, the public-private partnership in infrastructure development, popularly known as the PPP model, is also an example of private sector initiative.
- ii) A legal framework for development to ensure the working of market.
- iii) The establishment of accountability through various institutions such as an Ombudsman, and the parliamentary public accounts committee.
- iv) Ensuring transparency and access to information. The existence of free media or the fourth estate, and the enactment of the Right to Information in India are examples of initiatives towards having transparency and access to information. The innovative *Jan Sunwai* (public hearing) and public display of budget allocation for development schemes and expenditure are other good examples in this regard.

The definition provided by the United Nations Development Programme on governance is also worth mentioning. It says that governance is, "...the exercise of economic, political and administrative authority to manage a country's affairs at all levels and the means by which states promote social cohesion and integration, and ensure the well-being of their population. It embraces all methods used to distribute power and manage public resources, and the organizations that shape government and the execution of policy. It encompasses the mechanisms, processes and institutions, through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and resolve their differences."

In a critical analysis on the process of governance, the issue of corruption emerges as the major impediment in ensuring development benefits reach the needy and the other target groups. So, the World Bank's formulation of governance is critically linked to reduction of corruption and ensuring rule-bound behavior by all institutions associated with governance. Some people use the term, fair governance, also, which implies a mechanism which allows various institutions to respect the rights and interests of the beneficiaries.

Measures of Governance

The big question that has emerged is how the amount, or extent of governance quantify or measure in any country. The World Bank has identified six dimensions in which to measure governance. These are

- i) Voice and accountability: they measure political, civil and human rights.
- ii) Instability and violence: they measure the likelihood of violent threats to, or changes in government, this includes terrorism.
- iii) Effectiveness of government: This measures the competence of the bureaucracy, and the quality of public service delivery.
- iv) Regulatory burden: this measures the policies which are market unfriendly.
- v) Rule of law: this measures the quality of contract enforcement, the police, the court, as well as the likelihood of crime and violence.
- vi) Control of corruption: this helps in measuring the exercise of public power for private gain, including both petty and large scale corruption.

To measure the concept of governance and its quality, the International Fund for Agricultural Development has devised the following set of principles

- i) Inclusiveness and Equity: the principle that no one can be excluded from the process of development on the basis of gender, race and religion.
- ii) Participation: the opportunity for people who are affected by a particular decision to influence the process of decision making directly, or, indirectly.
- iii) Transparency: the degree to which the rules, standards and procedures for decision making are open, clear, verifiable, and predictable.
- iv) Efficiency: a measure of how economically resources are used to produce the intended results.
- v) Effectiveness: a measure of the extent to which an intervention achieves its objectives.
- vi) Subsidiarity: the principles that decision making should take place at the level that is most appropriate for a particular issue.
- vii) Adherence to the rule of the law: the principle that every member of a society, even a ruler, must follow the law.
- viii) Accountability: the responsibility for decisions made, and for their implementation, and for the results that the intervention has produced.
- ix) Sustainability: the likelihood that the positive effects of an intervention will persist for an extended period after the intervention ends.

Countries are categorized and ranked on the parameters of good governance based on these dimensions. There have been many attempts by various countries and international organizations to attain good governance in its totality. Although the results vary, the attempts to achieve good governance have resulted in tremendous improvements in the process of governance.

So far, you have read about the meaning and importance of governance, and, measure of governance. Now, you should be able to answer the questions, given below, in order to check your progress.

Check Your Progress 1

- Note:** a) Write your answer in about 50 words.
b) Check your answers with possible answers given at the end of the unit.

1) Governance is a buzzword in contemporary times. What does the term mean?

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2) Explain the significance of governance.

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**1.3 GOVERNANCE AND DEVELOPMENT:
INTER-RELATIONSHIP**

The term development is closely related to the process of governance. Every state in the world initiates a series of development activities in order to bring about a positive change in the economy, society and the lives of its citizens. In the entire process of development, the state has played a dominant role. However, it has been observed that the benefits from development initiatives have not had the desired effects, and that the initiatives have failed to bring about a positive change in the lives of the intended people. So, basic questions regarding the role of the state and its efficiency have been raised. The search for alternative mechanisms to ensure that development benefits reach the people has been on the agenda of policy makers. The recent arrangement of public-private partnerships has emerged as the viable alternative in providing service delivery in certain sectors of the economy. Thus, the basic approach to development has undergone changes in recent times.

The United Nations General Assembly 2005 World Summit outcome envisaged that "...good governance is essential for sustainable development; that sound economic policies, solid democratic institutions responsive to the needs of the people and improved infrastructure are the basis for sustained economic growth, poverty eradication and employment creation; and that freedom, peace and security, domestic stability, respects for human rights, including the right to development, the rule of law, gender equality and market oriented policies and an over all commitment to just and democratic societies are also essential and mutually reinforcing".

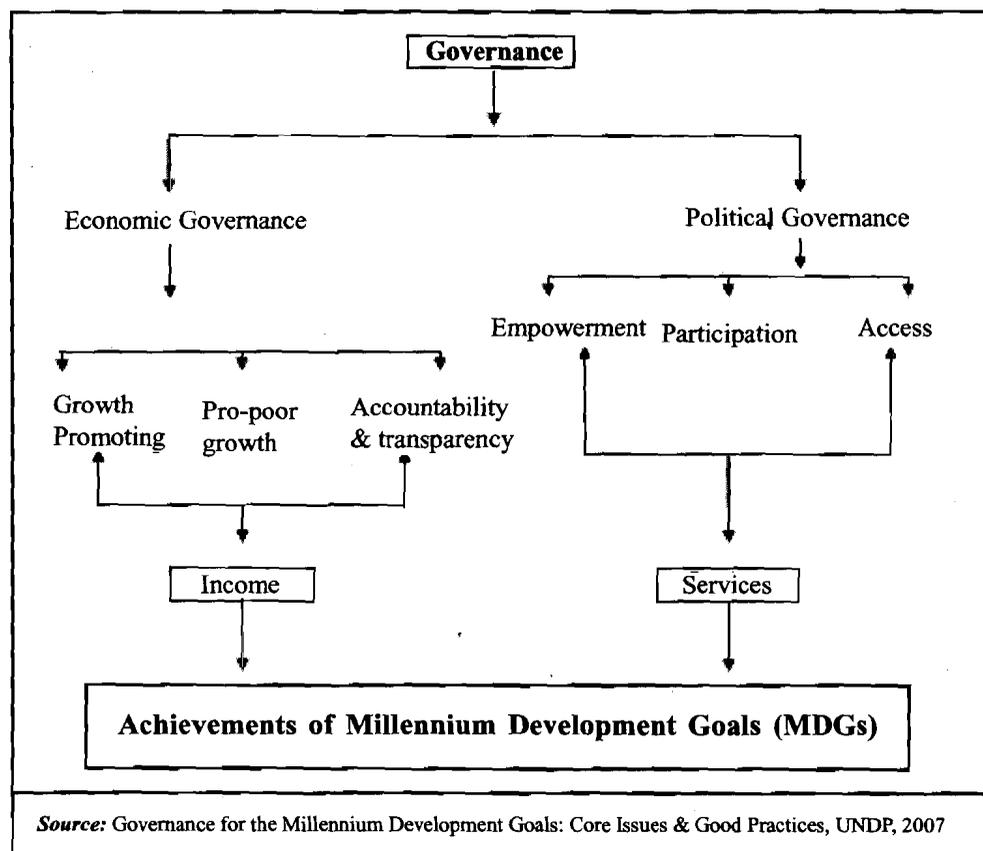
The Asian Development Bank, while emphasizing the role of governance in development mentioned that poor governance holds back and distorts the process

of development, and has a disproportionate impact on the poorer and weaker sections of society. Therefore, assisting developing countries in improving governance is a strategic priority of the ADB in eliminating poverty in Asia and the Pacific. The four key areas of interrelationship between governance and development identified by the ADB:

- a) Accountability
- b) Participation
- c) Predictability
- d) Transparency

The UNDP governance and development linkage is given below in the flow chart.

The central point in development and governance is that both concepts aim at offering benefits to the citizens. However, neither concepts have any meaning if they do not deliver benefits to citizens. Moreover, neither of the concepts are detached from each other, rather they complement each other. Development initiatives bear fruit in the presence of good governance. Again, good governance ensures participation of people in decision making related to development programmes. The participation of people in development initiatives truly reflects



the empowerment of people.

Generally speaking, development implies the process of improving the standard of living and wellbeing of citizens by raising per capita income. Per capita income is definitely an important parameter of development, but, the question is, how much benefit has it provided to common citizens in terms of availing the basic elements of life, such as health and education is an aspect to be taken into consideration. In recent years, development has transformed from mere economic terms to value loaded terms, or, human development. So, based on their

performance on the human development front, all countries are ranked through the human development index. Nobel prize winner Amartya Sen has contributed significantly towards changing the meaning of development and making it a broad and inclusive concept. He argued that one way of seeing development is in terms of expansion of the real freedoms that the citizens enjoy to pursue the objectives, they have reason to value, and in this sense the expansion of human capability can be, broadly, seen as the central feature of the process of development (Dreze and Sen, 1996).

The quality of governance relates to the practice of domestic politics and to public action. Public action is the action *by* the public or the people rather than just *for* the public by the government. Looking at the functioning of the various democratic countries, it can be said that the role of the public is not confined to influencing or challenging the decisions of the government. Rather it is to play a constructive and definitive role in the socio-economic development of society, and to reduce social inequalities. Amartya Sen argues that public action has the potential of making a government really accountable and transparent. (Dreze and Sen, 1996). As discussed earlier, accountability and transparency are the two key components of good governance. Thus, governance can be ensured and strengthened by public action, or more involvement of people in the process of governance. The role of the government is to build institutions to help facilitate the involvement of people in the entire process of governance. Initiatives by the Government of India, such as the 73rd and 74th amendments which provided constitutional status to grassroot institutions, like the *panchayat* and *nagarpalika* have been landmark achievements that ensure the involvement of people in the process of governance. Moreover, another significant step taken by the Government of India to constitutionally ensure 50 per cent seats in *panchayats* for women, is a positive step to involve women in the process of governance. As the people are direct beneficiaries in the process of governance, they have a definitive say in the decision making process. Having a say in the decision making process at the grassroot level, people can, themselves, decide what kind of development they want rather than having a development plan imposed on them by the state. The much publicized National Rural Employment Guarantee Act (NREGA) reflects the requirements of citizens and is an excellent example of the importance of critical linkage between governance and development. It validates the view that development and good governance are mutually complimentary. Good governance facilitates development, and in turn development ensures the furtherance of good governance. The success of NREGA in bringing a development turnaround in rural areas in different parts of India is also crucially linked to the practice of transparency in both development and governance practices. The display of budget allocations, and how that amount has been utilized are regularly and transparently publicized in the public places, and on the agendas of *panchayat* meetings popularly known as 'social audit'. As citizens get a concrete idea about the progress of development initiatives at their local level, it brings in transparency, and there is a sense of increased accountability among government officials. The social audit has become an integral part of the development process at the grassroots. The awareness among the people has brought a positive impact on the implementation of the development initiatives. This can also be interpreted as public action, as identified by Amartya Sen. This process has again gained strength with the enactment of the Right to Information Act, which has empowered the citizens to ask for information from officials. The participation of people has also

brought about a qualitative and significant change in the development process, and its impact on the larger section of the society.

1.4 FEATURES OF GOOD GOVERNANCE

After reading about governance, now it is appropriate to introduce you to the term, good governance, a key development concept, today. The people of a country expect that their government should deliver effective administration, which promotes their quality of life. In ancient times, the legendary administrator of the Mauryan Empire, Kautilya emphasized that it is the duty of a government to act in a manner that realizes the material, mental, moral, and cultural, wellbeing of the people.

The World Bank in its reports of 1989 and 1992, the Organization for Economic Cooperation and Development (OECD) Commission on Global Governance (1995), United Nations Development Programme (UNDP) 1997 have all dealt with the authorities of good governance extensively. The OECD (1992) delineated the key features of good governance in the following words: "...it is the promotion of democracy and open pluralistic societies; the strengthening of transparent accountable, efficient and effective national and local government; the promotion of respect for human rights; the reinforcement of rule of law, including fair and accessible legal and judicial system, the promotion of independent media and the dissemination of information; anti corruption initiatives and efforts to reduce excessive military expenditures."

Over the past few years, the concept of good governance has become the subject of intense interest. Precisely speaking, the distinctive features of good governance are: participation, accountability, consensus oriented, transparency, responsiveness, effectiveness, efficiency, equitable-ness, inclusiveness, and following the rule of law. The concept of good governance also includes feature such as the minimization of corruption, and, being responsive to current and future needs, and taking into account, the aspirations of society in large.

Focusing on the concept of good governance, the United Nations Development Programme emphasised on a high quality of processes by which decisions affecting public affairs are reached and implemented. It further, highlights, good governance need to ensures that all, including the poor and other disadvantaged groups, are included and have the means: (a) to influence the direction of development, (b) to make contributions to development and have these recognized, and (c) to share the benefits of development to improve their lives and livelihoods.

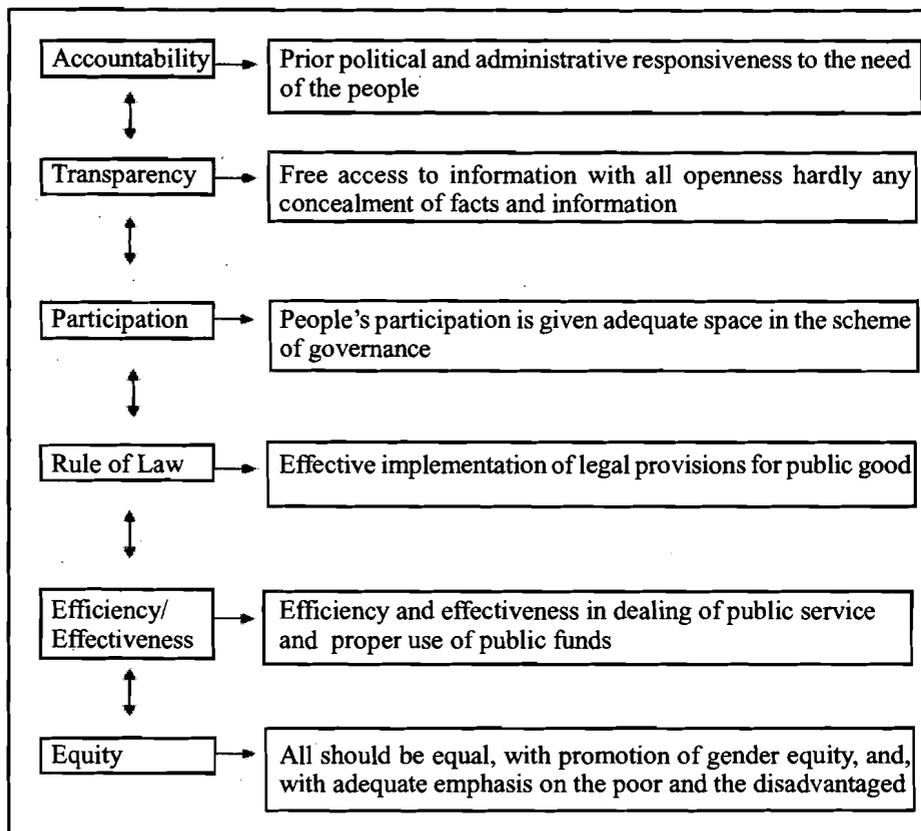
The concern for good governance has been well voiced in Asian Development Bank Report (1999) titled Governance in Asia: From Crisis to Opportunity which could be discussed through the following questions:

- Do people fully participate in governance?
- Are people fully informed?
- Do people make decisions, or, can they, at least, hold the decision makers accountable?
- Are the women equal partners with men in governance?

- Are the needs of the poor and disadvantaged met?
- Are people's human rights guaranteed?
- Are the needs of the future generation taken into account in current policies?
- Do people own their structures of governance?

The key feature of good governance are explained in the chart given below.

Features of Good Governance



1.5 BARRIERS TO GOOD GOVERNANCE

Now, let us understand the barriers to good governance. Going through the discussion on good governance, it can be said that development is a value-loaded concept and has a strong relationship to good governance. However, the process of good governance encounters various barriers. The barriers are multifold and intense in nature. Most importantly, all the barriers are inter related to each other. The barriers to good governance are discussed briefly.

- i) **Lack of awareness:** this is one of the biggest barriers that come in the way of good governance. Due to inadequate literacy, lack of information from the government side, and the failure of civil society institutions there is a lack of awareness among people about the process of governance, and development initiatives. The sense of apathy among people also compounds the problem.
- ii) **Absence of transparency and accountability:** governance gets derailed due to lack of transparency. Moreover, lack of accountability leads to authoritarianism and creates a huge gap between the government and the governed.

- iii) **Corruption and failure to check corruption:** corruption is generally identified as private gains from using public means through unethical practices. This phenomenon takes away development benefits from people.
- iv) **Weak civil society:** civil society bridges the gap between government and governed, and checks the growth of unethical practices. But, when there is an absence of civil society institutions, or when they are weakened, the gap between people and the government gets widened. Good governance is badly affected by weak civil society institutions.
- v) **Lack of strong institutions of governance:** governance functions with the support of various institutions such as the legislature, executive, and the judiciary, with a clear separation of power. If these institutions succumb to illegal and unethical pressures, and they fail to perform their designated functions, then the institutions get weakened. This results in the failure of the process of governance, and hampers development initiatives.

The process of governance is being strengthened by modern information technology. Video conferencing, for example, is a way to organize direct discussions between officials and citizens. The availability of information on internet sites, the conversion of documents into electronic format, the storage of all data related to citizens, makes the process of transparency and accountability simple. The devolution of power by giving constitutional status to grassroot organizations has brought an upsurge of democratic values and participation among citizens. The participation of citizens in the development process enhances governance, and, ultimately, democratic ideals.

In these last sections, you have read about the features of good governance, and barriers to good governance. Now, attempt the answers to the questions given in the Check Your Progress 2.

Check Your Progress 2

- Note:** a) Write your answer in about 50 words.
 b) Check your answers with possible answers given at the end of the unit.

- 1) Discuss the key features of good governance.

- 2) What is the relationship between governance and development? How do they strengthen each other?

1.6 LET US SUM UP

Good governance is a qualitative term which gets strengthened with people's participation, with transparent and accountable mechanism. The rule of law also plays a definitive role towards ensuring good governance. This process is, now, being strengthened by the application of science and technology, which has revolutionized governance, and plays an important role in bringing people closer to the process of governance. Governance plays an important role in development.

1.7 KEY WORDS

State: This is the basic actor in today's world, representing a definite population, having a definite territory, a government, and sovereignty (the ultimate authority in handling its affairs).

Market: An institution which represents the interests of private players in the economy. Over the years, some people claim that it has emerged as the alternative to the state.

Civil Society: This represents the organizations that have emerged as voluntary initiatives of citizens, and without the support of the State. It articulates the voices of citizens, and helps to facilitate a smooth relationship between the State and the citizens.

Governance: This represents the complex relationship between the state, market, and the civil society. It reflects the nature of functioning of the authority and government. Recently, it has transformed into a value-loaded concept called good governance, and it features rule of law, participation of people, transparency, and accountability, among others.

Rule of Law: This implies the proper and rational codification of laws and application of laws to one and all, uniformly.

Development: Means the betterment of the lives of people which is measured by a rise in per capita income. However, the term has undergone a transformation, and the new view is termed human development, which means the benefits in terms of health, education, drinking water facility, food availability, among others, through the development process.

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1.9 CHECK YOUR PROGRESS - POSSIBLE ANSWERS

Check Your Progress 1

- 1) **Governance is a buzzword in contemporary times. What do you mean by it?**

Answer: Governance has entered into the academic discourse in a big way. In this changing world, the nature of state activities has undergone rapid changes. So, the nature of service delivery mechanism has changed from state-centric activities to an arrangement between state and other actors, such as the market and civil society. Governance refers to a set of complex relationships between the state, market, and civil society organizations with the aim of rapid development.

- 2) **Explain the significance of governance.**

Answer: The term, governance, implies the relationship between the state, market and civil society. Over the years, the term has attained a comprehensive meaning that includes features like efficiency, transparency, accountability, and rule of law. The definition provided by the United Nations Development Programme is the widely accepted, comprehensive explanation on governance. (Also see section-1.2)

Check Your Progress 2

- 1) **Discuss the key features of good governance.**

Answer: According to Kautilya, governance refers to the role of public organizations to realise the material, mental, moral, and cultural well being of the people. Recent changes in the concept have added the term, good, to encompass

a broader meaning. The key features of good governance are accountability, transparency, participation, rule of law, efficiency, effectiveness, and equity. These features help government to deliver services for public welfare. It has been dealt with at length in section 1.4. Read this section and analyse each points.

2) What is the relationship between governance and development. How do they help strengthen each other?

Answer: Governance and development are interconnected. Both concepts aim at improvements in the lives of the citizens. Governance aims to attain its objectives through greater participation of citizens in the governance process with transparency and accountability, supported by the rule of law. Development becomes effective and meaningful with good governance in place. (For further details, go through the section-1.3)