"Good Governance", Democracy and Development Paradigms

The structural crisis which hit the developing countries in the eighties was a graphic demonstration of the fact that traditional project assistance had been unable to give any real sustainable impulse to a self-sustaining and equitable development process, as long as recipient countries' policies did not provide the necessary framework conditions. Both multilateral and bilateral donors therefore shifted the emphasis of their development co-operation to programme assistance. Experiences so far have been undeniably positive, but at the same time have led to an increase in down-to-earth attitudes in contrast to the more optimistic assumptions of earlier development models.

An example of this is sub-Saharan Africa. Between 1988 and 1990, bilateral and multilateral donors mobilized a total of approaching US$ 13 billion under the Special Programme of Assistance (SPA), to provide support for economic reforms by means of quick disbursing balance of payments assistance. At first sight the results are encouraging:

- average economic growth in those countries participating in the programme has picked up, rising to 4.3%, thus surpassing population growth for the first time in a decade;
- annual growth in export production of 5.2% testifies to the increased international competitiveness of countries involved in reform;
- investment growth of 6% in real terms has opened up the prospect of increased employment and a reduction in external dependency.

The translation of these externally financed growth impulses into development sustained by the momentum of the African national economies has, however, not yet been secured. It is, for example, becoming increasingly clear that the increase in the investment rate in the countries in question is still primarily fuelled by the inflow of external resources – and that a market-friendly economic environment, although unquestionably a necessary condition for development, is not the complete answer.

Core Responsibilities of Governments

The in many respects fruitful thought this provoked led to development being defined more broadly within the discussion on governance. During this discussion a fundamental revision of thought on the problems at the very heart of international development and the measures required to overcome these problems took place. “Good governance” has become the word in international discussion on new concepts of and approaches to development co-operation, not only amongst donors but also on the part of the developing countries themselves.

“Democracy and human rights are of fundamental significance for development” and “good governance is basic to the economic and social progress of all countries”: these statements are not the new development creed of Western donor countries. The first statement comes from the Memorandum to the Stockholm Initiative on “Joint Responsibility in the Nineties” which was signed inter alia by President Aylwin of Chile, the Zimbabwean Minister of Finance, Chidzero, the former President of Tanzania, Nyerere, and Salim Salim, Secretary General of the Organisation for African Unity. The second statement is to be found in the Action Programme which was adopted in

Before this new international consensus can be translated into development practice, answers will have to be found to the following three questions:

☐ What is actually meant by “governance” and, more particularly, “good governance”? By what yardstick can “governance” be measured?

☐ How significant is the “how” of governance for the development process and what implications does this have for bilateral or multilateral donors?

☐ Above all, how is governance related to development, political participation and democracy?

In a very general sense, governance is the exercise of authority, control, management and power by the government; but what is good governance? An answer to this question may be derived from consideration of the core responsibilities of the state. Good governance can, in this sense, be measured according to the extent to which a government fulfils these, its core responsibilities.

The collapse of the totalitarian states in Eastern Europe, the evident failure of the planned economy as an economic system and the unquestionable successes of the social market economy all teach the very clear lesson that these core responsibilities should be kept as few as possible.

Applied to the ultimate goal of development policy, to improve the welfare of people in developing countries, two core responsibilities of the state emerge from the principle of subsidiarity. The first consists in laying down rules and ensuring observance of these rules, so that the markets, in which individuals and groups of individuals meet, can work efficiently. Not all areas of economic and social development can, however, be controlled via the market. A second core duty which falls to the state is therefore to intervene with corrective measures in areas where the market fails. Here we think particularly of public goods and merit goods. Examples include the provision of state services, particularly for the poorer sections of society, in the areas of education and health, as well as the basic tasks of the state with regard to the establishment and maintenance of physical and social infrastructure.

“Instrumental Demands”

In order for state activity to reach these goals efficiently and thus merit the label “good”, current discussion on development policy demands the following of state activity:

☐ Governments should be accountable.

☐ Transparency should be a feature of government activity. Essential to attaining this is the availability of information which would allow an assessment to be made of government activity. This includes information on direct action on the part of the state, but also the publication of general economic and social data required by individuals wishing to plan their own activities rationally.

☐ Governments should establish and enforce a stable legal and economic framework which ensures the predictability of state and individual action within this framework and which is conducive to private initiative.

☐ Governments’ own activities and programmes should be geared towards improving the well-being of the poor and should leave self-help organisations and non-governmental organisations sufficient room to manoeuvre.

Accountability means first and foremost that public servants and others holding public office can be held accountable for their actions. This is essential if the development aims officially pursued by the state are to be realised in actual state activity. Without accountability there is no guarantee that scarce public funds will be used in an efficient manner in the pursuance of macro-economic and social objectives. What is more, without the possibility of calling governments and public servants to account, the risk of corruption and misappropriation of public money increases dramatically – a danger to which obviously not only the developing countries are exposed.

The accountability of governments can only really become effective in practice if the information needed for an assessment of state performance is freely available. This is true both with respect to transparency in state activity and to the provision of social and economic data.

To guarantee a climate conducive to the promotion of private initiative it is not, however, sufficient simply to make reliable data of this type available. Rational assessment of economic chances and risks also demands stable and predictable framework conditions; people do not invest in a climate of unstable rules and incentives.

A climate conducive to investment therefore requires certainty of law. The primary requirement for the existence of certainty of law is an independent and competent judiciary, in order to protect property and enforce treaties and agreements effectively. Certainty of law also means that known and recognised procedures exist, whereby the legislative framework itself can be adjusted to the changing needs of the future.

Certainty of law is not the only requirement, however,