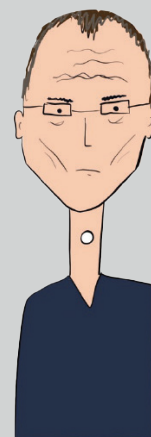




ABT'S APPROACH TO Governance

With Graham Teskey



'Good' governance—a mix of liberal democracy and free market institutions—is often claimed to be necessary for poverty reduction, growth and development¹.

Abt Associates does not subscribe to this view for the reason that there is no evidence to support it.

The evidence tells us that countries get rich first, then they get good government, not vice-versa. Countries that are rich today industrialised behind high protective trade barriers, coupled with extensive state intervention, often buttressed with profits from empire, and with governments that were highly exclusive. Japan, Singapore, Korea, Taiwan, and latterly China and Malaysia have all followed a path of state-led industrialisation under governments with varying degrees of 'authoritarianism'. Once GNI climbed and a demanding middle-class emerged we saw a movement toward greater political accountability². These movements are still playing out.

We also know that institutions matter; indeed they are critical to the prospects for growth and development.

Institutions are the formal and informal rules and norms that organise social, political and economic relations³. We know that institutions provide a relatively stable structure for human interaction—which explains why they change slowly. We also know that institutions can produce positive and negative outcomes, dependent on the sorts of behaviour they incentivise⁴. We know that in each country, the mix of formal and informal institutions will establish the 'rules of the game' that influence if not determine individual and collective behaviour.

Governance as:	Comment	Development organizations most associated with this view	Issues, concerns
Liberal democracy	Governance as an intrinsic human right: that citizens have the right to select and reject their governors	UNDP, USAID	Political pluralism, liberal democracy Elections and election commissions Parliaments and national assemblies Civil society Political parties Civil and political rights Citizen participation
Governance as a 'sector'	Governance here is seen as a particular 'sector'	World Bank, Regional Development Banks, DFID, DFAT, many other bilateral agencies	Public financial management. Public sector reform Revenue and expenditure management Decentralisation and local government Anti-Corruption Law and Justice Core of government / upstream coordination
Building the state	The long-term process by which political, economic and administrative institutions develop and increase in effectiveness, efficiency and equity	DFID, some bilateral agencies, the World Bank	Political settlements The social contract Ideas of the Nation of the State Capability, Authority and Legitimacy
As a way of thinking about	An approach to development that prioritises political economy analysis and 'thinking and working politically'	Many – if not most - at least in rhetorical terms. Many still struggling to apply this thinking	Interests, Institutions and Incentives Political economy approaches Doing Development Differently Problem Driven Iterative Adaptation Thinking and Working Politically

There are six specific elements of an approach to governance:

1. First, 'governance' covers a variety of institutions, all of which can contribute to better governance and a more effective state. The World Bank tracks six such institutions: government effectiveness, regulatory quality, voice and accountability, political stability and the absence of violence, the rule of law, and anti-corruption⁵. Thus when we speak of governance, we need to be clear to which specific sets of institutions we are referring.

2. Second, while we know that these institutions matter for growth and poverty reduction, we cannot know which specific institutions should be prioritised in any country at any moment. All six of the above institutions may have an impact on growth⁶, but the most critical institutions in any country are likely to vary: improving voice and accountability is likely to be more significant in countries with higher incomes. In low-income countries, the most important governance issues may be government effectiveness and regulatory quality. We can only identify which institutions are most important by examining the specific context of that country's development.



The head of village verifies household data to begin the civil registration process in Kampung Tanama in Fakfak, Papua, as part of the KOMPAK program.

3. Third, there can be no a priori assumption that more open and accountable political institutions will automatically generate growth and development. The evidence shows that “democratic institutions in one state may be associated with violent conflict and economic stagnation, while in another they may lead related to peaceful social relations and economic growth”⁷.

4. Fourth, it is the functioning of institutions that matter, not what they look like. Donors are frequently tempted to replicate systems that work ‘at home’. In Melanesia the ‘Westminster’ system (the form of government) implies a particular structuring of political accountability between citizens and politicians. However, the system works differently in practice, where the political logic is based on short-term individual relations and reciprocal deals (the function). This supports clientelist relations between politicians and individual constituents—votes for personal benefits—which undermines incentives for the delivery of public services.⁸

5. Fifth, given the variety of institutional arrangements and the importance of function not form, we will not be either prescriptive or normative about organisational forms. Different organisational forms and structures are likely to work in different ways in different contexts. Our approach will be to focus on functionality and performance.

6. Finally, we know that development is about change and that there will be winners and losers from the change process. Thus we need increasingly to move to ‘politically smart’ approaches to development assistance—approaches that that combines political-economy knowledge with more responsive and contextually relevant operations.

1 Thomas Carothers and Saskia Brechenmacher, “Accountability, transparency, participation and inclusion: A new development consensus?” Carnegie Endowment for International Peace, October 2014.

2 For a forensic discussion of how these states emerged see Francis Fukuyama “The Origins of Political Order and Decay”, 2014.

3 Douglass North “Institutions, Institutional Change and Economic Performance”. CUP 1990.

4 See the first chapter of “Why Nations Fail” by Daron Acemoglu and James Robinson for a very clear demonstration of this.

5 James Putzel and Jonathan Di John “Meeting the Challenges of Crisis States”. LSE, UK 2012.

6 World Bank (2013) *World Governance Indicators 2013*, <http://info.worldbank.org/governance/wgi/index.aspx#home>.

7 Asian Development Bank (ADB) (2013) “Asian Development Outlook Update 2013: Governance and Public service Delivery”.

8 Wood T. (2013) “The Causes and Consequences of Local Voting in Solomon Islands”, *In Brief*, 2013/17, SSGM, Australian National University, Canberra; Craig, D and D Porter (2014) ‘Post conflict pacts and inclusive political settlements: institutional perspectives from Solomon Islands’, *Effective States and Inclusive Development Research Centre Working Paper 2014/39*, University of Manchester.



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