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REDEFINING THE CONCEPT OF GOVERNANCE

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Redefining the Concept of Governance

Objective

This report is a starting point for thinking about the need to review the concept of governance at CIDA and arriving at a definition that reflects the development of the concept since it emerged in development literature around the late 1980s. The report also gives an overview of how the concept is applied in CIDA programming, and lists the analytical and information tools needed to facilitate the work of CIDA project officers.

The Concept of Governance

♦ *Why Redefine the Concept?*

Governance is a concept that has developed considerably since it emerged in discussions of development issues around the late 1980s. The first classic political science essays on the subject talked about the concept of "governability", which made the rule of law the core of development. With the end of the Cold War, "governability" gave way to the concept of governance, defined as redesigning or re-inventing public administration, in the broad sense of the term, to meet the new challenges of development in the era of globalization. Governance now deals with issues relating to the mechanisms needed to negotiate various interests in society. It is increasingly seen as a concept that encompasses a series of mechanisms and processes designed to maintain the system, to empower the population and to ensure that society owns the process.¹

CIDA uses the term **good governance** in its Policy on Human Rights, Democratization and Good Governance, and defines the concept as follows:

*By governance we mean the manner in which power is exercised by governments in the management of a country's social and economic resources. "Good" governance is the exercise of power by various levels of government that is **effective, honest, equitable, transparent and accountable.***

The definition as it appears in the Policy for CIDA is restrictive, in that it reduces the concept to activities and power relationships that involve government alone. It does not consider the influence, needs, contributions and responsibility of civil society or the private sector.

¹ UNDP, *Report on the Workshop on Governance for Sustainable Human Development*, MDGD, New York, April 1996.

Here, briefly, are some of the concerns raised by CIDA employees regarding the concept of governance as the Agency defines it:

- ◆ We need to adopt a broader definition of governance that lets us go beyond the theme of public-sector management and consider how all sectors of civil society can act as a catalyst.
- ◆ Governance is not the business of government alone. We need to define governance from two perspectives: government and the people.
- ◆ Governance must include and be able to respond to issues relating to the process of change, which characterizes many governments in developing countries and countries in transition.
- ◆ Unlike the term "good governance", "governance" facilitates dialogue because the concept is less restrictive and less political.
- ◆ Governance issues are closely related to several development activities, and can be approached as a theme that cuts across projects which meet other CIDA priorities. For example, eliminating poverty, creating jobs, protecting the environment, social integration, economic management, agricultural reform, population control, and women's issues all depend on effective governance.
- ◆ The word "good" is condescending and even imperialistic. It should be replaced by "sound" or "effective", or eliminated altogether. (Do we speak of "good" education, "good" health? Then why "good" governance?)

Redefining the concept of governance does not mean re-inventing the wheel and generating a new set of cooperation activities. Broadening the concept would, however, allow us to consider all interactions among everyone involved in decision making. For example, what are the most effective relationships to be maintained between government and society? Within society? Within government? Between government and the private sector? Between central and local governments?

◆ ***How Should the Concept Be Defined?***

Most international organizations and bilateral agencies have developed their own definition of governance. Some have adopted a very specific strategy and policy (UNDP, Asian Development Bank). Others have limited themselves to defining the concept. DAC-OECD has developed guidelines on participatory development and good governance. These guidelines reflect their current thinking on the principles and strategy to be applied and the action to be taken in this area. UNDP has developed a fairly broad strategy and policy linking public-sector management, governance and sustainable human development. The development banks have focused mainly on the social and economic

aspects of the concept of governance. The European Union and EBRD have broader visions in which governance includes political dimensions, such as human rights and democracy. This is illustrated in Annex I, which presents a brief definition of governance as developed by the key international organizations.

Closer to home, the Institute on Governance has established the following definition:

Governance comprises the institutions, processes and traditions which determine how power is exercised, how decisions are taken and how citizens have their say. Thus, governance is not the sole concern of government, but of all those involved in decision Making.

The Institute is particularly interested in the following four themes: the involvement of citizens and the accountability of government to them; capacity building for good governance; reform of the public service; the transition of the voluntary sector. The Institute does not speak of "good" governance, preferring the term "effective governance".

Bob Miller of the Parliamentary Centre talks about the concept of *the ecology of governance*.² He emphasizes the importance of going beyond a vision of governance that is strictly limited to the perspective of government institutions. We are encouraged to discuss the broader context of governance, considering the relationships between institutions and social, political and economic issues.

Table I shows the characteristics and dimensions of governance as defined in the Government of Canada Policy for CIDA on Human Rights, Democratization and Good Governance. Table H shows the principal characteristics and aspects of governance defined by key international organizations. Some items in this list could be incorporated into CIDA's definition to make the concept more comprehensive.

² Miller, Robert, *The Ecology of Governance*, Parliamentary Centre, 1996.

TABLE I

<ul style="list-style-type: none">◆ Effective◆ Honest◆ Equitable◆ Transparent◆ Accountable	<p>CIDA Definition</p> <p>Character istics</p> <p>Dimension s</p>	<ul style="list-style-type: none">◆ Implementation of social and economic policy◆ Public-sector management◆ Existence of a legal framework◆ Control of corruption◆ Reduction of military spending
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- ◆ Effective
- ◆ Honest
- ◆ Equitable
- ◆ Transparent
- ◆ Accountable
- ◆ Informative
- ◆ Gender equity

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**Characteristics
Dimensions**

- ◆ Involvement of citizens and accountability of government to them
- ◆ Capacity building for good governance
- ◆ Reform of the public sector
- ◆ Transition of the voluntary sector
- ◆ Legal and judicial framework
- ◆ Control of corruption
- ◆ Rule of law
- ◆ Cooperation with organizations in civil society
- ◆ Decentralization
- ◆ Role of the media and freedom of expression
- ◆ Capacity of government to develop and implement policy (this includes bringing about organizational change, influencing institutions, changing the nature of interaction between organizations and institutions)
- ◆ Interface between the public and private sectors
- ◆ Security, peace, conflict resolution
- ◆ Resource allocation
- ◆ Responsibility of the private sector

³ UNDP, World Bank, Institute on Governance, Asian Development Bank, DAC-OECD.

Governance and CIDA Programming

How is the concept of governance applied in CIDA's development activities, and what are its objectives? What categories are used?

Reports for the 1995-96 fiscal year, based on the achievements and results of the Americas, Africa and the Middle East, Asia, Central and Eastern Europe, Partnership and Multilateral Programs branches, give us a brief overview of human rights, democratic development and governance objectives. It appears that development activities relating to governance are categorized somewhat arbitrarily. The distinction between the three themes of CIDA policy (human rights, democratization, good governance) is not always clear, specifically in operational terms. Several activities may involve more than one theme.

♦ *Americas Branch*

Governance activities largely focus on public-sector management reform. Policy frameworks have been developed in this area, specifically for Peru and Bolivia (*Public Sector Reform: Issues for Programming Options*). Decentralization is a key component of reform. The Branch has funded studies to assess programming prospects in this area.

During the 1995-96 fiscal year, there were 38 projects (25% of all projects) in the area of HD/DD/GG, with a total disbursement of \$20.1 M (which corresponds to 15% of all

disbursements). Programming was developed in 13 countries and five regions.

Anticipated results were classified in four categories:

- ◆ Building the capacity of institutions in the public sector to develop equitable economic and social policies (25%)
- ◆ Building the capacity of institutions to protect and promote human rights and democratic development (60%)
- ◆ Encouraging the population to play a proactive role in promoting civil society by increasing the participation of NGOs and community groups in governance (19%)
- ◆ Improving the knowledge and abilities of employees of key private and public institutions (22%)

◆ *Africa and the Middle East Branch*

HR/DD/GG are the second most important priority after basic human needs, representing nearly 20% of all disbursements. During the 1995-96 fiscal year, there were 198 active HR/DD/GG projects. The Branch established the following sub-priorities: **human rights, democratic development, the public sector, civil society, political will.**

Public-sector capacity building (including decentralization) was a major component, receiving nearly half of all HR/DD/GG disbursements.

Conflict resolution is also a major aspect of governance in Africa. Support for the Palestine-Israel dialogue fund is an example.

The Southern Africa Division prepared a human rights, democratization and good governance policy framework. Programming in this sector includes governance capacity building initiatives (support in developing constitutions, as well as in restructuring and strengthening governments and institutions in the public sector at the federal, provincial and local levels). It also includes initiatives with civil society (support in developing civil society as an agent of social development and as a participant in policy dialogue between government and society, and in the decision-making process).

◆ *Asia Branch*

The Branch set the following HR/DD/GG objectives: i) to strengthen the role and build the capacity of civil society and democratic institutions, ii) to promote the effective and accountable exercise of power by the public sector, iii) to support organizations that promote and protect human rights, and iv) to strengthen the will of leaders to respect democratic rights.

During the 1995-96 fiscal year, CIDA supported HR/DD/GG initiatives in 11 countries and regions. Forty-three (43) Asia projects were categorized under the theme of HR/DD/GG for a total value of \$202.3M, representing 18.1% of all Branch operational

projects.

Governance programming largely involved policy support.

Results were categorized as follows:

- ◆ Building the capacity of governments and NGOs to deal with key issues relating to the social and economic aspects of development policies. Improving the capacity of governments and NGOs to undertake social and economic research applied to key issues and disclosure of results. Building the capacity of NGOs and the private sector to participate in policy analysis and to influence policy development.
- ◆ Better knowledge and mutual understanding (via policy dialogue) of Asian and Canadian values and approaches to human rights, participatory development and governance.
- ◆ Building the capacity of the legislature, the judiciary and the executive for transparency, accountability and public participation.
- ◆ Public-sector reforms (including decentralization) in key areas of interest to Canada.

◆ ***Central and Eastern Europe Branch:***

The aim in this area is defined as follows: *“to encourage good governance, democracy, political pluralism, the rule of law and adherence to international norms and standards”*.

The chief mandate of the Central and Eastern Europe Program is to support the transition of new democracies, especially by supporting public-sector management reforms and decentralization. During the 1995-96 fiscal year, the program funded 10 projects in six different countries and regions to support capacity building at the municipal, regional and national levels in key sectors such as the environment, health and land registry.

Anticipated results are categorized in three groups:

- ◆ Building the capacity of institutions in the public sector to develop and implement equitable social and economic policies.
- ◆ Building the capacity of public institutions through the transfer of knowledge.
- ◆ Advising on the development of policies for organizing and distributing public services.

◆ ***Canadian Partnership Branch***

HR/DD/GG are the second most important priority after basic human rights, representing 20.6% of all disbursements. Moreover, 60% of the Institutional Cooperation Division's budget was earmarked for HR/DD/GG. This reflects the significant role played in this

area by educational institutions, unions, cooperatives and professional associations that work with their partners in civil society in developing countries. In NGO Division, 13% of the budget funded HR/DD/GG activities.

♦ ***Multilateral Programs Branch***

One of the Branch objectives is to build the capacity and effectiveness of multilateral organizations to promote CIDA's six priorities, including HR/DD/GG.

In HR/DD/GG, CIDA largely cooperates with the following institutions: the African Development Bank, the Asian Development Bank, the Inter American Development Bank, the International Labour Organization and the World Bank.

Needs

The following needs were identified on the basis of consultations with CIDA staff involved in governance.

♦ ***Analysis***

- ♦ It would be useful to develop and propose a definition of governance around which consensus can be achieved at CIDA, and then hold a half-day workshop to explain the new definition and disseminate it throughout CIDA.
- ♦ It would be useful to have an analytical framework to identify problems relating to governance, to define the basic principles underlying governance (local governance, decentralized municipal management, and so on), and to relate them to specific activities in Canada, so that Canadian expertise can be properly identified in very specific areas of activity.

♦ ***Tools Sought***

- ◆ Definition and application of operational guidelines in key areas relating to governance
- ◆ Framework allowing better classification of governance components
- ◆ Development of performance indicators
- ◆ Assessment of CIDA initiatives
- ◆ Presentation of case studies and lessons learned in the area of governance
- ◆ Canadian resources and expertise in this area
- ◆ **Information**
 - ◆ What initiatives are being taken in this area by NGOs, the private sector, international organizations, other governments, universities and so on?

ANNEX I

Governance: Definitions Adopted by Key International Organizations

- ◆ *World Bank*

The World Bank uses the following definition: "*By governance we mean the manner in which power is exercised... in the management of a country's social and economic resources.*"⁴ It makes a clear distinction between the political and economic dimensions of governance. Thus, "The Bank's call for good governance is to encourage governments to create the legal and institutional framework for transparency, predictability and competence in the conduct of public affairs and the management of economic development. Its concern with accountability, transparency, and the rule of law, therefore

⁴ World Bank, *Managing Development - The Governance Dimension*, 1994, Washington D.C.

is exclusively with the contribution they make to social and economic development, and to the Bank's fundamental objective of sustainable poverty reduction in the developing world."⁵

The Bank identifies the following components of governance: **public-sector management, accountability, legal framework, transparency and information.**

◆ *DAC-OECD*

The DAC uses a definition of governance that echoes the World Bank's definition, but also considers the political, social and economic aspects of the concept. Governance is thus defined as "the use of political authority and exercise of control in society in relation to the management of its resources for social and economic development".⁶ This fairly general definition reflects both the role of public authorities in creating the framework for the activities of economic agents and in making decisions about the distribution of benefits, as well as the nature of the relationship between government and the governed. Governance has the following attributes: accountability, efficiency and effectiveness, independent legal framework, responsible and equitable administration at all levels of government.

The DAC distinguishes between three dimensions of governance:

the nature of the political system;

mechanisms for using authority in managing a country's social and economic resources;

the capacity of public authorities to define and implement policies, and to perform their duties.

The DAC focuses special attention on the following aspects of governance: **the rule of law, public-sector management, control of corruption, and reduction of military spending.**

◆ *UNDP*

UNDP defines the concept of governance by relating it to that of sustainable human development. Thus, "*Under the parameters of Sustainable Human Development, sound governance has come to mean a framework of public management based on the rule of law, a fair and efficient system of justice, and broad popular involvement in the process of governing and being governed. This requires establishing mechanisms to sustain the*

⁵ *Ibid.*

⁶ DAC_OECD, *DAC Orientations on Participatory Development and Good Governance*, December 1993.

system, to empower people and give them real ownership of the process.”⁷

Governance is also defined as *“the exercise of political, economic and administrative authority to manage a society's affairs. It is a broad concept that encompasses the organizational structures and activities of central, regional and local government, the parliament and the judiciary and the institutions, organizations and individuals that comprise civil society and the private sector insofar as they actively participate and influence the shaping of public policy that affects people's lives.”⁸*

UNDP identifies the following factors as having the greatest impact on governance:

- ◆ organizations or entities such as political systems, parliaments, legal authorities and NGOs;
- ◆ institutions, or the formal or informal system of values, rules and procedures used to manage human, natural and economic resources;
- ◆ the capacity of government to develop and implement policies (this includes bringing about organizational change, influencing institutions, and changing the nature of interaction between organizations and institutions);
- ◆ the nature of interactions between political authority and civil society;
- ◆ freedom of expression and the role of the media.

UNDP identifies the principal characteristics of effective governance as:

- ◆ political legitimacy and accountability
- ◆ freedom of association and participation
- ◆ a reliable legal system
- ◆ accountability of the public service

- ◆ freedom of information and expression
- ◆ effective and efficient management of the public sector
- ◆ cooperation with organizations in civil society

UNDP supports six categories of projects through the Management Development Governance Division (MDGD):

- ◆ reform of the public sector, and economic and financial management
- ◆ participatory governance (support for parliaments, legal authorities, the media)
- ◆ aid management and accountability

⁷ UNDP, *Public Sector Management, Governance, and Sustainable Human Development*, New York, January 1995.

⁸ UNDP, *Decentralized Governance Programme*, New York, 1996.

- ◆ decentralization and support for local government
- ◆ civil society
- ◆ policy development planning and support

◆ *Asian Development Bank*

The Asian Development Bank is the only development bank that has developed a policy on governance. It focuses primarily on the social and economic aspects of governance, and identifies the following basic components: **accountability of the public sector, participation of the private sector, predictability of the legal framework and public policy, transparency of information, and clarity of regulations and policies.**

According to the Bank, governance refers to the institutional context in which citizens interact among themselves and with government agencies. Even though policy issues are important to development, the concept of governance as defined by the Bank basically focuses on the ingredients of effective management. The Bank sees governance as being synonymous with effective management of development.

The Bank's analytical framework for dealing with governance issues distinguishes between the components of governance and specific areas of activity for promoting it (such as public-sector management).

The Bank identifies the following areas of intervention:

- ◆ **Accountability** (government capacity building): public-sector management, management and reform of public enterprises, financial management, reform of the public service.
- ◆ **Participation** (participatory development process): participation of recipient groups, interface between the public and private sectors, decentralization (empowerment/accountability of local governments), cooperation with non-governmental organizations.
- ◆ **Predictability** (legal framework): law and development, legal frameworks for private-sector development.
- ◆ **Transparency** (information and openness): disclosure of information.

◆ *Inter American Development Bank*

The Inter American Development Bank is primarily concerned with the economic dimensions of governance and the capacity to operate the machinery of government. This involves **modernizing government and strengthening civil society, transparency, social equity, participation and gender equity.**

◆ *European Bank for Reconstruction and Development (EBRD)*

EBRD is primarily concerned with the political and economic dimensions of governance.

In particular, the political dimensions relate to **multiparty democracy, pluralism and human rights issues.**

♦ *European Union*

The European Union is primarily concerned with the political, social and economic dimensions of governance, especially in the context of its support for African, Caribbean and Pacific (ACP) countries, and its initiatives in the Mediterranean. Special attention is paid to **human rights and fundamental freedoms, recognition and application of democratic principles, and consolidation of the rule of law and good governance.**

ANNEX II

Persons consulted

- Odette Maltais, West Africa Division
- Ivan Roberts, Americas Branch
- Louise Lavigne, Americas Branch

- Michelle Kohler, Planning and Strategic Management
- Wendy Miller, Southern Africa
- Henri Paul Normandin, Asia Branch
- Isabelle Hentic, Canadian Partnership Branch
- Linda Ervin, International Financial Institutions
- Brian Hunter, Asia Branch
- Barbara MacDonald, Canadian Partnership Branch
- Louise Clément, Americas Branch
- Pascale Turcotte, Americas Branch
- Louise Filion, Central and Eastern Europe

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